

Pension Trust

1000 Mill Street
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www.SLOPensionTrust.org



AGENDA

PENSION TRUST BOARD OF TRUSTEES

Monday, March 27, 2017 9:30 AM
Board of Supervisors Chambers
County Government Center
San Luis Obispo, CA 93408

PUBLIC COMMENT

1. Public Comment: Members of the public wishing to address the Board on matters other than scheduled items may do so when recognized by the Chair. Presentations are limited to three minutes per individual.

ORGANIZATIONAL

None

CONSENT

2. Minutes of the Regular Meeting of February 27, 2017 (Approve Without Correction).
3. Report of Deposits and Contributions for the month of February 2017 (Receive and File).
4. Report of Service Retirements, Disability Retirements and DROP Participants for the month of February (Receive, Approve and File).
5. Applications & Elections to participate in the Deferred Retirement Option Program (DROP) received through March 10, 2017 (Receive, Approve and File).

APPLICATIONS FOR DISABILITY RETIREMENT

6. Application for Disability Retirement – one case

OLD BUSINESS

None

NEW BUSINESS

- 7. Actuarial Valuation – Planning and Assumptions - Presentation by Leslie Thompson, EA, FSA (Discuss, Direct Actuary and Staff as necessary)
- 8. Employer Contributions Prefunding (Discuss, Direct Staff as necessary)
- 9. Disability Hearings – Interim Process (Recommend Approval).
- 10. Disability Hearings – Establish Panel of Referees (Recommend Approval).

INVESTMENTS

- 11. Monthly Investment Report for February 2017 (Receive and File).
- 12. Asset Allocation - (Review, Discuss, and Direct Staff as necessary).

OPERATIONS

- 13. Staff Reports
- 14. General Counsel Reports
- 15. Committee Reports:

a. Audit Committee	No Report
b. Personnel Committee	Report
c. PAS Replacement Committee	No Report
- 16. Upcoming Board Topics (subject to change):
 - a. April 24, 2017
 - i. Disability cases – continuation of prior hearings
 - ii. Budget – FY17-18 – discussion
 - iii. Fiduciary Refresher Training
 - b. May 22, 2017
 - i. 2017 Actuarial Audit – RFP results – actuary selection

- ii. Budget – FY17-18 – approval
 - iii. 1Q17 quarterly investment report
 - iv. Investment Education Presentation
- c. June 26, 2017
- i. Annual Financial Statement Audit – Report from auditors
 - ii. 2017 Actuarial Valuation – Results – Setting of ARC
 - iii. Prefunding of FY17-18 Employer Contributions

17. Trustee Comments

REFERRED ITEMS

None

ADDED ITEMS

None

CLOSED SESSION

18. CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION. The Board will convene in closed session pursuant to paragraph (1) of subdivision (d) of Gov. Code section 54956.9 to discuss existing litigation. One (1) case: San Luis Obispo County Deputy County Counsel Association et al. v. San Luis Obispo County Pension Trust Board et al.

ADJOURNMENT

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Board of Trustees

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FEBRUARY 27, 2017 MINUTES OF THE REGULAR MEETING OF THE PENSION TRUST BOARD OF TRUSTEES

BOARD MEMBERS PRESENT: Matt Janssen, President
Will Clemens, Vice President
Guy Savage
Gere Sibbach
Jim Hamilton
Jim Erb
Jeff Hamm

STAFF: Carl Nelson
Andrea Paley
Amy Burke

COUNSEL: Chris Waddell, Esq.

OTHERS: Larry Batcheldor, SLOCREA
Scott Whalen, Verus
Eduardo Castaneda, Disability Applicant
Michael Hobbs, Human Resources
Dan Andoetoe, Retiree
Debbie Jo Trinidad, Member
Art Trinidad, Member
Jesse Hill, Attorney for Ms. Trinidad

The meeting was called to order by President Janssen at 9:32 AM, who presided over same.

AGENDA ITEM NO. 1: PUBLIC COMMENT.

Mr. Sibbach acknowledged the recent passing of retiree Donald King as one of the original founding Trustees of the Pension Trust as a defined benefit plan in 1967.

ORGANIZATIONAL:

AGENDA ITEM NO. 2: COMMITTEE APPOINTMENTS.

President Janssen confirmed the 2017 Committee appointments as follows:

Personnel Committee:

Matt Janssen, Jeff Hamm and Jim Hamilton

Audit Committee:

Gere Sibbach and Will Clemens, Jim Erb

Pension Administration System Replacement Committee:

Guy Savage, Gere Sibbach and Jim Erb

CONSENT:

AGENDA ITEM NO. 3 - 6: CONSENT.

Upon the motion of Mr. Savage, seconded by Mr. Janssen, and unanimously passed, the following action was taken:

ITEM 3: The Minutes of the Regular Meeting of January 23, 2017 were approved with correction that agenda item no. 6 was mislabeled as agenda item no.5.

ITEM 4: The Report of Deposits and Contributions for the Month of January 2017, was received and filed.

ITEM 5: The Report of Service Retirements, Disability and DROP Retirements for the month of January 2017, was received, approved and filed.

ITEM 6: The Report of Applications for participation in the Deferred Retirement Option Program received through February 10, 2017 was received, approved and filed.

APPLICATIONS FOR DISABILITY RETIREMENT:

**AGENDA ITEM NO 7: APPLICATION FOR INDUSTRIAL DIABILITY
RETIREMENT CASE NO. 2017-01
EDUARDO CASTANEDA.**

Upon the motion of Mr. Hamm, seconded by Mr. Clemens, and unanimously passed, the following action was taken:

- 1) Mr. Eduardo Castaneda was found to have become permanently disabled within the meaning of Retirement Plan Section 10.01 on December 24, 2016, the date the application was received; and
- 2) Mr. Castaneda was found to be entitled to an Industrial Disability Retirement under Retirement Plan Section 10.04, effective the date following the last date of compensated benefits (determined to be March 11, 2017).

AGENDA ITEM NO. 8: APPLICATION FOR DISABILITY RETIREMENT.

This item was a placeholder on the agenda. No action necessary

OLD BUSINESS:

None.

NEW BUSINESS:

AGENDA ITEM NO. 9: DISABILITY HEARING PROCESS.

Upon the motion of Mr. Savage, seconded by Mr. Clemens and unanimously passed, staff recommendation to review and approve the amended Appendix: E – Applications For Disability (Rules for processing applications for disability retirement allowance) including typos identified in section 4.02 and 4.15. Further, staff was directed to submit to the Board of Supervisors the amended Appendix E for adoption into the Employees Retirement Plan.

**AGENDA ITEM NO. 10: APPROVAL OF ANNUAL COST-OF-LIVING
ADJUSTMENT EFFECTIVE 04-01-2017.**

Upon the motion of Mr. Savage, seconded by Mr. Erb, and unanimously passed the Cost-of-Living adjustments effective April 1, 2017 for retirees and beneficiaries as provided for in Article 19; Sections 19.01 and 19.02, Article 27; 30 and 31; Sections 30.25 and 31.24 and recommended by the Actuary for COLA Groups as follows:

TIER 1

Retired on or before January 1, 1981	3.0% effective 04-01-2017
Retired 01-02-1981 through January 1, 2017	2.1% effective 04-01-2017

TIER 2 & 3

Retired on or before 01-01-2017	2.0% effective 04-01-2017
---------------------------------	---------------------------

**AGENDA ITEM NO. 11: RECIPROCITY – MEMBER APPEAL OF FINAL
COMPENSATION CALCULATION.**

The Board of Trustees considered verbal statements from Member Debbie Jo Trinidad and her attorney, Jess Hill regarding her appeal of the calculation of Final Average Compensation to be used in calculating her retirement benefit under the reciprocity provisions of the Retirement Plan. Upon the motion of Mr. Hamm, seconded by Mr. Clemens, and passed by roll call vote, staff recommendation to use the Final Compensation calculated based only on Base Pay as specified in the San Luis Obispo County Employees Retirement Plan was approved.

Roll call vote to wit:

Mr. Hamm	Aye
Mr. Clemens	Aye
Mr. Janssen	Aye
Mr. Erb	No
Mr. Savage	Aye
Mr. Sibbach	Aye
Mr. Hamilton	Aye

AGENDA ITEM NO. 12: 2017 ACTUARIAL AUDIT PROCESS.

Upon the motion of Mr. Hamm, seconded by Mr. Janssen, and unanimously passed, staff recommendation to prepare an RFP for a full replication actuarial audit was amended to incorporate a proposal for a limited procedures audit as an alternative as well.

** During discussion of item no. 12 above Mr. Savage departed the meeting at 11:30AM returning at 11:45AM

INVESTMENTS:

AGENDA ITEM NO. 13: 4TH QUARTER INVESTMENT REPORT PRESENTED BY SCOTT WHALEN.

Upon the motion of Mr. Sibbach, seconded by Mr. Hamm and unanimously passed, The Quarterly Report of the Investment Performance of the Pension Trust for the period ended December 31, 2016 was received and filed.

AGENDA ITEM NO. 14: MONTHLY INVESTMENT REPORT FOR THE PERIOD ENDING JANUARY 31, 2017.

Upon the motion of Mr. Janssen, seconded by Mr. Erb, the Investment Report for the period ended January 31, 2017 was received and filed.

AGENDA ITEM NO. 15: ASSET ALLOCATION REVIEW, CAPITAL MARKET EXPECTATIONS, STRATEGIC ASSET ALLOCATION POLICY.

Upon the motion of Mr. Hamm, seconded by Mr. Savage, and unanimously passed, the Asset Allocation Review, Capital Market Expectations presentation and Strategic Asset Allocation Policy presented by Scott Whalen of Verus was received and filed.

AGENDA ITEM NO. 16: RETIREMENT PLAN PEER ASSET ALLOCATION COMPARISONS.

The Plan Peer comparison of asset allocation and assumed interest rates was presented as requested by the Board of Trustees.

Upon the motion of Mr. Janssen, seconded by Mr. Erb and unanimously passed, this item was received and filed.

AGENDA ITEM NO. 17: ASSET ALLOCATION.

Staff reported that no action regarding investment asset allocations were necessary at this time.

OPERATIONS:

AGENDA ITEM NO. 18: STAFF ORAL REPORTS.

- A)** Staff reported that they would be attending the next SLOCREA meeting to report on the status of the Pension Trust.
- B)** Staff shared that again the Pension Trust has been awarded the GFOA Award for Financial Reporting.
- C)** Staff distributed the Pension Trust financial budget status for the period through December 31, 2016.
- D)** Staff provided an update on FPI property transactions.
- E)** Staff provided an update on the status of various investment transitions.

AGENDA ITEM NO. 19: GENERAL COUNSEL ORAL REPORTS.

None.

AGENDA ITEM NO. 20: COMMITTEE REPORTS – AS NEEDED.

- A)** AUDIT COMMITTEE: Nothing to report.
- B)** PERSONNEL COMMITTEE: Nothing to report.
- C)** PENSION ADMINISTRATION SYSTEM ADMINISTRATION (PASR) COMMITTEE: Nothing to report.

AGENDA ITEM NO. 21: UPCOMING BOARD TOPICS.

The planned topics for the next three board meetings were included in the agenda summary. This is an information item, nothing further to report.

AGENDA ITEM NO. 22: TRUSTEE COMMENTS.

None.

REFERRED ITEMS: None.

ADDED ITEMS: None.

CLOSED SESSION:

**AGENDA ITEM NO. 23: CONFERENCE WITH LEGAL COUNSEL
– EXISTING LITIGATION.**

Canceled by General Counsel.

ADJOURNMENT.

There being no further business, the meeting was adjourned at 12:30 PM. The next Regular Meeting was set for March 27, 2017, at 9:30 AM, in the Board of Supervisors Chambers, New County Government Center, San Luis Obispo, California 93408.

Respectfully submitted,

**Carl Nelson
Executive Secretary**

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**REPORT OF DEPOSITS AND CONTRIBUTIONS FOR THE MONTH OF
FEBRUARY 2017**

PP 3 2/3/2017	Pensionable	Employer	Employer	Employee	Employee	Combined	Additional	Buy	TOTAL
By Employer and Tier:	Salary	Contributions	Rate	Contributions	Rate	Rate	Contributions	Backs	Contributions
County Tier 1	4,131,972.97	916,889.10	22.19%	776,910.88	18.80%	40.99%	1,597.50	6,210.98	1,701,608.46
County Tier 2	875,800.43	198,557.83	22.67%	107,864.31	12.32%	34.99%	276.43	760.78	307,459.35
County Tier 3	1,600,754.60	334,771.45	20.91%	167,999.26	10.50%	31.41%	-	8,924.68	511,695.39
Superior Court Tier 1	299,796.85	64,679.68	21.57%	38,529.50	12.85%	34.43%	-	-	103,209.18
Superior Court Tier 3	46,409.84	9,313.06	19.62%	3,470.05	7.48%	27.10%	-	114.54	12,897.65
APCD Tier 1	73,940.38	15,557.43	21.04%	13,602.11	18.40%	39.44%	-	-	29,159.54
APCD Tier 3	6,399.20	1,338.73	20.92%	730.25	11.41%	32.33%	-	-	2,068.98
Pension Trust Staff Tier 1	10,029.32	2,200.43	21.94%	1,964.23	19.58%	41.52%	-	-	4,164.66
Pension Trust Staff Tier 2	7,069.60	1,551.07	21.94%	770.59	10.90%	32.84%	-	-	2,321.66
Pension Trust Staff Tier 3	7,640.36	1,638.86	21.45%	899.57	11.77%	33.22%	-	-	2,538.43
LAFCO Tier 1	11,575.09	3,009.53	26.00%	1,849.40	15.98%	41.98%	-	-	4,858.93
Lump Sum Buy Backs/Adjustments									-
	7,071,388.64	1,549,507.17	21.91%	1,114,590.15	15.76%	37.67%	1,873.93	16,010.98	\$ 2,681,982.23
PP 4 2/17/2017									
By Employer and Tier:									
County Tier 1	4,129,659.09	916,209.18	22.19%	776,549.99	18.80%	40.99%	1,597.50	17,357.69	1,711,714.36
County Tier 2	875,103.64	198,466.63	22.68%	107,720.66	12.31%	34.99%	302.22	760.78	307,250.29
County Tier 3	1,660,246.25	348,864.59	21.01%	175,266.37	10.56%	31.57%	-	407.00	524,537.96
Superior Court Tier 1	300,316.26	64,790.99	21.57%	38,607.61	12.86%	34.43%	-	8,257.16	111,655.76
Superior Court Tier 3	46,685.03	9,261.93	19.84%	3,488.60	7.47%	27.31%	-	114.54	12,865.07
APCD Tier 1	73,951.21	15,559.66	21.04%	13,604.40	18.40%	39.44%	-	-	29,164.06
APCD Tier 3	6,399.20	1,338.73	20.92%	730.25	11.41%	32.33%	-	-	2,068.98
Pension Trust Staff Tier 1	10,029.32	2,200.43	21.94%	1,964.23	19.58%	41.52%	-	-	4,164.66
Pension Trust Staff Tier 2	7,069.60	1,551.07	21.94%	770.59	10.90%	32.84%	-	-	2,321.66
Pension Trust Staff Tier 3	7,640.36	1,638.86	21.45%	899.57	11.77%	33.22%	-	-	2,538.43
LAFCO Tier 1	11,575.09	3,009.53	26.00%	1,849.40	15.98%	41.98%	-	-	4,858.93
Lump Sum Buy Backs/Adjustments									-
	7,128,675.05	1,562,891.60	21.92%	1,121,451.67	15.73%	37.66%	1,899.72	26,897.17	\$ 2,713,140.16
TOTAL FOR THE MONTH	14,200,063.69	3,112,398.77	21.92%	2,236,041.82	15.75%	37.66%	3,773.65	42,908.15	\$ 5,395,122.39
TOTAL YEAR TO DATE	28,362,777.22	6,045,044.41	21.31%	4,303,495.86	15.17%	36.49%	13,239.89	95,464.37	\$ 10,457,244.53

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**REPORT OF SERVICE & DISABILITY RETIREMENTS &
DROP PARTICIPANTS FOR THE MONTH OF:**

FEBRUARY 2017

RETIREE NAME	DEPARTMENT	DATE	MONTHLY ALLOWANCE
CROOM, LORI	BEHAVIORAL HEALTH	02-01-2017	1139.09 163.98**
FITZPATRICK, JOHN	VETERANS SERVICES	02-04-2017	Option selection
McCAUSLAND, ROY (DROP)	SHERIFF DEPARTMENT	02-01-2017	Option selection
SIMONS, RONNIE (DROP)	ASSESSOR	02-01-2017	Option selection
ZIMMERMAN, ROBERTA (DROP)	DISTRICT ATTORNEY	02-01-2017	Option selection
ADDENDUM:			
GEORGE, MICHELLE	RECIPROCAL / SOCIAL SERVICES	08-05-2016	Option selection
TRINIDADE, DEBBIE JO	RECIPROCAL / PUBLIC HEALTH	10-20-2016	Option selection
BOZNER, LORI	RECIPROCAL / PROBATION	12-31-2016	Awaiting calcs
KRASSNER, DAVID	RECIPROCAL / MENTAL HEALTH	12-31-2016	Option selection
WELLS, KUMIM	RECIPROCAL / PUBLIC HEALTH	12-16-2016	523.83
BAIRD, ANDREW (DROP)	DISTRICT ATTORNEY	01-01-2017	10342.83
BERNA, CHARLES (DROP)	PUBLIC WORKS	01-01-2017	5990.73 402.73*
BOISSERREE, SHELLY	PROBATION	01-01-2017	508.45 65.89**
DONE, CLAYTON	AIRPORT	01-21-2017	1389,24
HICKOK, JAMES (DROP)	PARKS	01-01-2017	4312.95 400.28*
PERRY, PATRICK	SUPERIOR COURT	01-14-2017	5211.00
RUDMAN, TROY (DROP)	SHERIFF DEPARTMENT	01-01-2017	5987.33
WARD, NANCY (DROP)	ASSESSOR	01-01-2017	Options election
WEISS, SHERRI (DROP)	PUBLIC WORKS	01-01-2017	7588.60 61.30*

* Employee Additional Contribution Allowance (per Sections 5.07, 27.12, 28.12, 29.12, 30.12, and 31.12 of the Plan)

** Social Security Coordinated Temporary Annuity (per Section 13.06 of the Plan)

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Board of Trustees

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Date: March 27, 2017
To: Board of Trustees
From: Carl Nelson – Executive Secretary

Agenda Item 5: Applications & Elections to Participate in the Deferred Retirement Option Program (DROP)

Recomendation:

It is recommended that you receive and approve the Application & Election to Participate in DROP for the individuals listed below.

Discussion:

The San Luis Obispo County Pension Trust has received an Application & Election to Participate in DROP from the following members listed below:

APRIL 1, 2017

Anthony Lewelling, Facilities Management

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Date: March 27, 2017

To: Board of Trustees

From: Carl Nelson – Executive Secretary
Amy Burke – Deputy Executive Secretary
Leslie Thompson, Gabriel Roeder Smith – Plan Actuary

Agenda Item 7: Actuarial Valuation – Planning and Assumptions

Recommendation:

Pension Trust staff and Leslie Thompson, EA, FSA of Gabriel Roeder Smith as the Plan's Actuary recommend –

- The Board of Trustees receive and discuss Ms. Thompson's presentation on planning for the 2017 Actuarial Valuation.
- The Board of Trustees direct staff and the Plan Actuary on any changes to actuarial assumptions to use in preparation of the 2017 Actuarial Valuation (if any – see further recommendation below).
- No changes to the assumptions are recommended for the 2017 Actuarial Valuation from those used for the 2016 Actuarial Valuation. This includes retaining the 7.125% Earnings Assumption used as a discount rate in calculating Plan liabilities and the 2.625% Inflation Assumption.
- Changes to actuarial assumptions should be considered as part of the 2018 Actuarial Valuation based on data from the 2018 Experience Study.

Discussion:

It is the policy of the Pension Trust to have an annual Actuarial Valuation to set the total level of contributions necessary to fund the retirement system – the Annually Required Contribution (ARC). The Pension Trust also has performed biennial Actuarial

Experience Studies. In these Experience Studies the actuary analyzes the trailing five years of Plan demographic and financial experience to inform the actuary on what actuarial assumptions to recommend to the Board of Trustees to use in the annual Actuarial Valuation.

It has been the practice of the Pension Trust to change major actuarial assumptions (if change is warranted) on a biennial basis in conjunction with the Actuarial Experience Study and in a coordinated manner. For example, changes in expected inflation have an impact on multiple assumptions – Earnings, Payroll Growth, Salary Growth, Retiree COLAs – so logically those changes should be made at the same time.

Earnings Assumption:

The 2016 Actuarial Valuation used a 7.125% Earnings Assumption (EA). The EA is a highly sensitive assumption, changes have a large impact on Accrued Liabilities, the Unfunded Actuarial Accrued Liability (UAAL), the Funded Ratio, Normal Cost, the amortization cost of the UAAL, and the total Annually Required Contribution (ARC).

For the 2016 Actuarial Valuation the EA was reduced from 7.250% to 7.125%. At the February 27, 2017 Board of Trustees meeting peer comparisons to other California retirement systems were presented that indicated that the Pension Trust's EA appears to be in the lower ¼ of other California systems. The much publicized reduction in the EA used by CalPERS will take that system's EA from 7.500% to 7.000% over the next three years. Likewise, CalSTRS has announced that the EA for that system will decline from 7.500% to 7.000% over the next two years.

At the February 27, 2017 Board of Trustees meeting the Pension Trust's investment consultant, Verus, presented their 2017 Capital Market Expectations (CME) over the forecast period of 10 years. As expected CMEs have declined over the last several years in response to low fixed income interest rates and elevated equity market valuation levels. Important to note, the long term (40+ years) horizon used by actuaries to determine an appropriate EA relative to the 10 year CME forecast offered by the system's investment consultant will often contribute to differences among the two projected rates.

The long term horizon used in setting the EA is one of the reasons that staff and the Plan Actuary recommend changing actuarial assumptions on a biennial basis in conjunction with Experience Studies while also considering the numerous components of an actuarial valuation on an integrated basis. The best illustration of this is the fundamental relationship of inflation assumptions and EAs. Generally, economists, investment consultants, and actuaries look on capital market returns as being made up of two components –

$$\begin{array}{l} \text{Inflation +} \\ \text{Real Rate of Return on Investments =} \\ \text{Long Term Expected Rate of Return} \end{array}$$

As a result, forward looking estimates of inflation must be logically integrated with the setting of an appropriate EA for a pension system.

Given the already conservative positioning of the Pension Trust’s EA relative to other retirement systems and the strong policy preference for changing actuarial assumptions biennially in conjunction with Experience Studies, staff and the Plan Actuary recommend not changing the EA for the 2017 Actuarial Valuation.

Recap – 2016 Actuarial Valuation Assumption Changes:

For the 2016 Actuarial Valuation a number of significant actuarial assumptions changes were made based on information from the 2016 Actuarial Experience Study. Those 2016 actuarial assumption changes are summarized below.

	2015 Valuation	2016 Valuation
Inflation	2.750%	2.625%
Real Rate of Return	<u>4.500%</u>	<u>4.500%</u>
Earnings Assumption	7.250%	7.125%
Retiree COLAs		
Tier 1	2.750%	2.625%
Tiers 2 & 3	2.000%	2.000%
Salary Growth	3.250% + merit	2.875% + merit
Payroll Growth	3.750%	3.375%
Mortality – Post Retirement	RP2000 with Scale AA Generational (the most up to date mortality schedules as of the 2014 Experience Study – used since 2011)	RP 2014 & MP2015 Generational <i>* Adjusted by actuary to transition to full update to current mortality tables by the 2018 Experience Study</i>
Mortality – Disability	RP2000 with Scale AA Generational	RP 2014 (disabled) & MP2015 Generational Calibrated to actual experience

	2015 Valuation	2016 Valuation
Mortality – Active Service	RP2000 with Scale AA Generational	RP 2014 & MP2015 Generational Calibrated to actual experience
Rates of Retirement	Misc. Tier 1 = 3% ages 51, 52, 53 Safety Tier 1 = 12% age 50	Misc. Tier 1 = 4% ages 51, 52, 53 Safety Tier 1 = 20% age 50 All other rates - no change
Rates of Termination		Set Probation rates to match Safety
Married at retirement	70% males 50% females	80% males 60% females
All other assumptions		No change



San Luis Obispo County Pension Trust

**Planning Session for the Actuarial
Valuation for 2017**

Leslie Thompson, FSA, FCA, EA, MAAA

March 27, 2017

GRS

Gabriel Roeder Smith & Company
Consultants & Actuaries
www.gabrielroeder.com

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Today's Agenda

- ◆ 2017 Presentation Schedule
 - ▶ March Meeting- Planning
 - ▶ June Meeting – Valuation presentation and contribution rate recommendations
- ◆ Highlight special considerations around the annual valuation process
 - ▶ The asset smoothing method for 2008 loss
 - ▶ The amortization method-a consideration as of 1/1/2019
 - ▶ CAAP
 - ▶ Funding and accounting
 - ▶ A reminder of the assumption changes made in 2016



Recognition of the 2008 Asset Loss

Schedule of Recognition of 2008 Asset Loss

Plan Year	Original Schedule			Updated Schedule		
	Remaining Loss at Beginning of Plan Year	Amount Recognized	Remaining Loss at End of Plan Year	Remaining Loss at Beginning of Plan Year	Amount Recognized	Remaining Loss at End of Plan Year
2009	\$ 299,363,960	\$ 29,936,396	\$ 269,427,564	\$ 299,363,960	\$ 29,936,396	\$ 269,427,564
2010	269,427,564	29,936,396	239,491,168	269,427,564	29,936,396	239,491,168
2011	239,491,168	29,936,396	209,554,772	239,491,168	29,936,396	199,554,772
2012	209,554,772	29,936,396	179,618,376	199,554,772	29,936,396	169,618,376
2013	179,618,376	29,936,396	149,681,980	169,618,376	29,936,396	139,681,980
2014	149,681,980	29,936,396	119,745,584	139,681,980	29,936,396	99,745,584
2015	119,745,584	29,936,396	89,809,188	99,745,584	29,936,396	69,809,188
2016	89,809,188	29,936,396	59,872,792	69,809,188	29,936,396	39,872,792
2017	59,872,792	29,936,396	29,936,396	39,872,792	29,936,396	9,936,396
2018	29,936,396	29,936,396	0	9,936,396	9,936,396	0





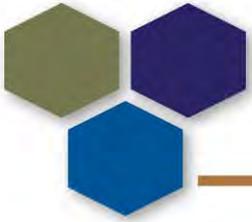
Proposed Amortization Method Review- 1/1/2019

- ◆ The California Actuarial Advisory Panel
 - ▶ Suggests a model approach would be layered amortization
 - A new layer each year; each layer “closed” 15 year period
 - ▶ GRS recommends moving to this approach after the full recognition of the 2008 asset loss base
 - ▶ This means the first valuation reflecting the new amortization schedule would be 1/1/2019



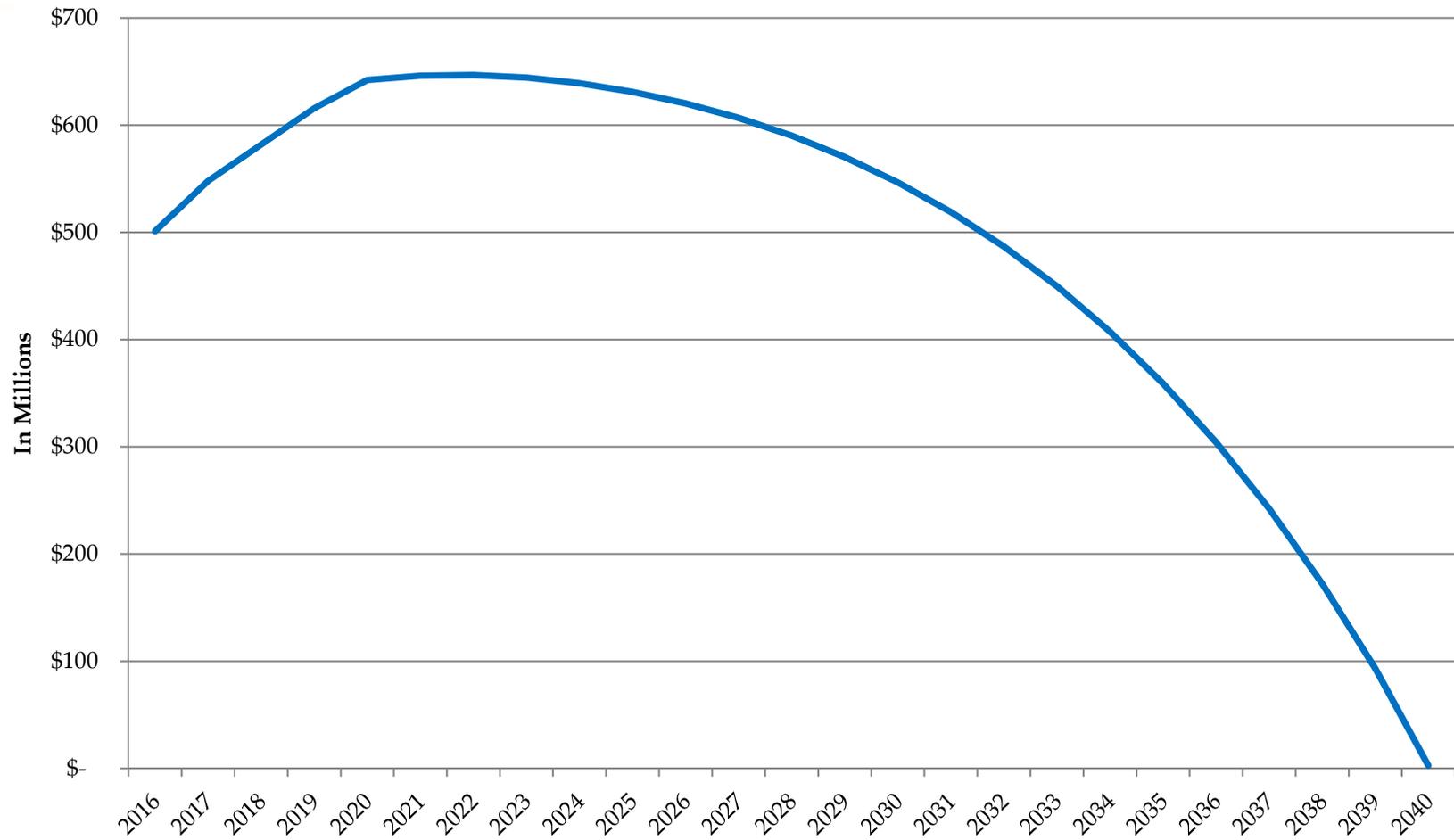
Proposed Amortization Method Review- 1/1/2019

- ◆ **The legacy unfunded accrued liability would have 21 years remaining**
 - ▶ As of the 1/1/2017 valuation there are 23 years remaining. The Board can consider setting the legacy unfunded amortization at 15 years or;
 - ▶ Let the legacy unfunded (which will be “frozen”) continue its countdown to zero
 - ▶ Analyzed with all options as part of the 2018 experience study



Unfunded Accrued Liability

Countdown to \$0





CAAP categories

A review of actuarial practices

Description	"Grade"
Model Practice	A
Acceptable Practice	B
Acceptable Practice with Conditions	C
Non-Recommended Practice	D
Unacceptable Practice	F



CAAP Comparison

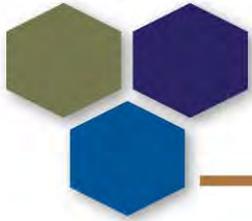
Policy Issue	SLOCPT State Policy	GRS Model
Actuarial Cost Method		
Funding Method	Entry Age Normal Cost with Normal Cost as a level percent of pay	A
Multiple Tiers	Normal Cost based on each member's benefit	A
Types and incidence of benefits	All funded over a single measure of expected future service	A
Normal Cost	Sum of individual members for that tier	A
Asset Smoothing Method		
Fixed smoothing period	Five years; 10 years for 2008 loss	A
Maximum corridor for 5 years	50%/150%	B
Amortization Policy		
Period	23 years remaining	B
Payment Pattern	Level Percent of Pay	A
Open or closed	Closed	A
Number of layers	One	B

With regards to the corridor, SLOCPT receives a grade of B because they do not have a corridor as part of their asset smoothing. This is still acceptable because the smoothing period is sufficiently short. With regards to the amortization policy, SLOCPT receives a grade of B because the current amortization period is slightly longer than the "model" approach and there is no layering of new gains and losses as they arise. GRS recommends moving to this layered amortization approach after the full recognition of the 2008 asset loss base.



Funding and Accounting

- ◆ Valuation uses many assumptions to measure the cost, including:
 - ▶ Investment return (net of expenses)
 - ▶ Mortality
 - ▶ Retirement (which varies by tier)
 - ▶ Salary increases and payroll growth
- ◆ Funding:
 - ▶ Actuarial assumptions recognize the long term nature of the promise and time available to fund the benefits
- ◆ GASB:
 - ▶ Accounting measures “expense”
 - ▶ Accounts for pensions as current compensation



Reminder-Changes in Assumptions for 2016

- ◆ Inflation decreased from 2.75% to 2.625%
- ◆ Investment return decreased from 7.25% to 7.125%
- ◆ Tier 1 Cola from 2.75% to 2.625%
- ◆ Salary increase assumptions decreased
- ◆ Payroll growth decreased from 3.75% to 2.88%
- ◆ Mortality tables changes to RP 2014 with a projection scale (MP 2015) calibrated to fit experience
- ◆ A few changes in retirement rates
- ◆ Termination rates for probation changed to match safety members



When assumptions should change

- ◆ Pressures continue to exist to change in assumed rate of return (currently 7.125%)
- ◆ Investment return assumption decreased from 7.25% to 7.125% for 1/1/2017 valuation
- ◆ For a long term liability recommend regular, measured changes based on long term projections
 - ▶ SLOCPT currently reviews their assumptions every other year;
 - ▶ With the experience study, SLOCPT examines all correlating issues;
 - Such as inflation, and its impact on returns, salaries, cost of living
 - The economy, and its effect on hiring and retiring rates and overall growth in payroll
 - Correlating issues may create an offset in costs so Board will get the full cost picture at one point in time.
- ◆ We recommend this practice continue, with the next comprehensive experience review performed in 2018.



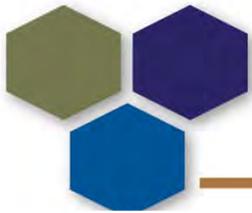
Mortality Table

- ◆ The new table is RP-2014 Health Annuitant Table
- ◆ The projection scale is MP-2015 but slowing down the rate of projection (the “calibration” to SLOCPT experience).
- ◆ Since the changes were adopted from the experience study, the Society of Actuaries has stated that its projection scale may have been too aggressive
 - ▶ This supports the calibration;
 - ▶ This may also mean there is no secondary phase in;
 - ▶ Actual experience will dictate.



National Trends

- ◆ Senator Sanders bill on transaction tax
 - ▶ Started out as a tax on Wall Street
 - ▶ But Wall Street will just take it out of earnings, sending it back to Main Street
- ◆ Secure Choice-annuity plan for private sector workers, managed by public sector funds
- ◆ Public Safety- Medicare at 55-(not a bill, just trolling for support)
- ◆ Budget Reconciliation and the ACA
 - ▶ Pick up repeal could put \$5 billion into the economy
 - ▶ But that is just a timing difference
 - ▶ Thus, looking at taxing health care benefits
- ◆ Push to make the Public Safety \$3,000 retirement income exclusion
 - ▶ Available to more people;
 - ▶ And to change it to a deduction.



Contacts

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Pension Trust

1000 Mill Street
San Luis Obispo, CA 93408
(805) 781-5465 Phone
(805) 781-5697 Fax
www.SLOPensionTrust.org



Date: March 27, 2017

To: Board of Trustees

From: Carl Nelson – Executive Secretary
Amy Burke – Deputy Executive Secretary

Agenda Item 8: Employer Contributions Prefunding

Recommendation:

The Board of Trustees should discuss, and approve actions based on the following:

1. To agree to the FY17-18 prefunding of employer contributions from the County of San Luis Obispo and the Air Pollution Control District consistent with the automatic renewal of the FY14-15 Prefunding Agreement in existence that provides for –
 - a. Prefunding of employer paid contributions (including employee contributions paid for by the employer) by June 30th for the upcoming fiscal year in a lump sum instead of on a pay-period basis.
 - b. Such prefunding to be calculated by the Pension Trust’s actuary using a discount rate of the Pension Trust’s then current Earnings Assumption less 0.50% (i.e., for 2016 this rate was 7.125% - 0.50% = 6.625%).

- OR -

2. To not agree to the FY17-18 prefunding of employer contributions and to provide the County the required 60 days’ notice to terminate or suspend the FY14-15 Prefunding Agreement in existence.

- OR -

3. To amend or replace the FY14-15 Prefunding Agreement in existence to change the discount rate used by the Pension Trust’s actuary in calculating the amount of prepayment.

- a. Requires 60 day notice to the County to initiate amendment or replacement of the FY14-15 Prefunding Agreement.
- b. The discount rate to be proposed by the Pension Trust could be either –
 - i. The Earnings Assumption less _____%, or
 - ii. 50% of the Earnings Assumption then in effect, or
 - iii. A specific discount rate to be determined annually and set for FY17-18 at _____%.

Background:

Beginning with FY14-15 the Pension Trust and the County agreed to restart a prior practice of allowing the County to prepay employer pension contributions at the start of a fiscal year at a discounted rate. The agreement addressing this is attached. The discount rate agreed upon in that agreement is the then current Earnings Assumption used less 0.50% (i.e., for 2016 this rate was $7.125\% - 0.50\% = 6.625\%$).

The basic premise for a retirement system to allow the plan sponsor to prefund employer contributions at a discounted rate is that the retirement system then has those funds to invest longer than it would were they to be received in pay-period increments throughout the year. So for employer contributions, instead of the normal dollar-cost-averaging of investment inflows, a more lump sum pattern of inflows is created. Keep in mind that employee contributions that are not paid for by the employer continue to be made on a pay-period basis throughout the year.

- If the actual earnings on investments is less than the discount rate used for the prefunding, an actuarial loss is created that increases future contribution rates by a small amount. The normal actuarial smoothing of gains and losses spreads out this impact.
- If the actual earnings on investments are greater than the discount rate used for the prefunding, an actuarial gain is created that lowers future contribution rates by a small amount. The normal actuarial smoothing of gains and losses spreads out this impact.

From the plan sponsor's side, prefunded employer contributions discounted at a rate greater than that possible to be earned in the very conservative investments allowed for Treasury funds creates budget savings.

From the Pension Trust's side, over the very long term, if the Earnings Assumption was used to discount the prefunding rate, prefunding should have an actuarially neutral effect.

This is based on the long term expectation that investment returns in any given year have 50/50 odds of being greater or lower than the long term return assumption. To the extent that the discount rate actually used for employer contribution prefunding has been lower than the earnings assumption (e.g., Earnings Assumption less 0.50%) it increases the probability that the Pension Trust will have net actuarial gains over the long term. However, in light of recent investment history and near term market expectations it is appropriate to review and re-evaluate the practice.

The current market environment is one where investment returns are constrained by low interest rates and relatively high equity valuation levels. This makes the short-term potential for investment returns being below the discount rate used for prefunding greater than the long-term 50/50 probability. This is reflected in the intermediate capital market expectations presented by Verus (investment consultant) in February being in the lower 6% range.

Other California retirement systems have a range of practices in employer contribution prefunding including: no prefunding; prefunding discounted at the actuarial assumed rate of return; prefunding discounted at the actuarial assumed rate of return less a set spread (e.g., 0.50%); prefunding discounted at half of the actuarial assumed rate of return; or, prefunding at a rate considered and approved on an annual basis.

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San Luis Obispo County Pension Trust

Prepayment of the 2017 Contribution
Leslie Thompson, FSA, FCA, EA,
MAAA
March 27, 2017

GRS

Gabriel Roeder Smith & Company
Consultants & Actuaries
www.gabrielroeder.com

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Contribution Pre-Payment

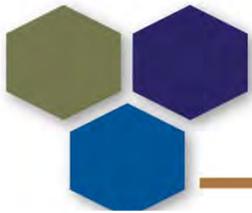
- The discount rate for pre-payment is 50 basis points less the actuarial assumed rate of return.
 - FYE June 30, 2015 - 6.75%.
 - FYE June 30, 2016 - 6.625%.
- The prepayment only applies to the County and APCD (not to the contract agencies such as the Courts)



Contribution Pre-Payment

(Assumed made on June 19, 2016)

Source	Estimated Undiscounted Contributions	Estimated Discounted Contributions	Difference
County Employer Contributions	\$35,710,975	\$34,591,888	\$1,119,087
County Employer-Paid Employee Contributions	11,539,821	11,193,963	345,858
APCD Employer Contributions	414,185	401,197	12,988
APCD Employer-Paid Employee Contributions	187,176	181,567	5,609
Total	\$47,852,157	\$46,368,615	\$1,483,542



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Date: March 27, 2017

To: Board of Trustees

From: Carl Nelson – Executive Secretary
Amy Burke – Deputy Executive Secretary
Chris Waddell – General Counsel

Agenda Item Number 9: Disability Hearings—Interim Process

Recommendation:

Staff and the General Counsel recommend that the Board adopt the attached resolution providing for an interim hearing process that may be followed in any upcoming disability hearings as determined to be appropriate by the Board of Trustees.

Discussion:

At its February 27, 2017 meeting, the Board of Trustees (BOT) adopted revisions the existing rules regarding the consideration of applications for disability retirement. The primary changes made by the revisions were 1) amendments to Article 4 of Appendix E of the Plan that would provide for an evidentiary hearing to be conducted by a referee as opposed to the Board; and 2) amendments throughout Appendix E to reflect the Pension Trust’s engagement of a Medical Review Provider in the review and evaluation of disability retirement applications.

These revisions are a part of the Plan and therefore must be adopted by the County Board of Supervisors (BOS) before they become effective. The ultimate date of BOS adoption is currently unknown, and the potential exists that a matter or matters will necessitate an evidentiary hearing prior to such date. As has been previously discussed with the BOT, section 4.07 of the existing Appendix E provides that the BOT may order for good cause that a hearing may be conducted in an alternative manner. Given this authority, and the concerns with conducting an evidentiary, “trial-type” hearing before the BOT, staff and the General Counsel recommend that the BOT adopt the attached revisions to Article 4 of

Appendix E on an interim basis for the conduct of any evidentiary hearings that may be held prior to the BOS' permanent adoption of the revisions.

Under the attached resolution, the BOT would be adopting on an interim basis those revisions to Appendix E that relate to the conduct of hearings that are contained in Article 4. The remaining revisions to Appendix E need not be adopted on an interim basis and can await permanent adoption by the BOS. The revisions being adopted on an interim basis are indicated in strikethrough/underline format with comments that reflect the changes made in response to BOT comments during its first reading of the revisions in February.

Respectfully submitted,

Carl Nelson
Executive Secretary

Amy Burke
Deputy Executive Secretary

Chris Waddell
General Counsel

Attachment – Resolution No. 2017 – 03: A Resolution Adopting an Interim Hearing
Process for Disability Applications

**SAN LUIS OBISPO COUNTY
PENSION TRUST**

PRESENT: Matt Janssen, Will Clemens, Jim Erb, Jeff Hamm, James Hamilton, Guy Savage,
Gere Sibbach

ABSENT:

RESOLUTION NO. 2017 - 03

A Resolution Adopting an Interim Hearing Process for Disability Applications

Whereas, under Section 3.04(b) of Appendix E of the San Luis Obispo County Employees Retirement Plan (“Plan”), if the Executive Secretary is not satisfied with the medical reports and documents submitted in support of an application for Disability, including applications for Industrial Disability, the Executive Secretary shall make no recommendation as to the application and shall set the matter for hearing before the Board of Trustees; and

Whereas, Article 4 of Appendix E of the Plan referenced above sets forth a “trial type” process for hearings before the Board of Trustees; and

Whereas, the Board of Trustees has identified concerns with the existing process and has adopted revisions to Article 4 of Appendix E which, consistent with the practice at most other California public retirement systems, would employ a referee in the first instance to conduct a hearing, develop and evidentiary record, and prepare a written report to the Board that includes a summary of the evidence, proposed findings of fact, and a recommended decision; and

Whereas, while the above-referenced revisions must be adopted by the San Luis Obispo County Board of Supervisors before taking permanent effect, section 4.07 of existing Appendix E provides that the Board of Trustees may order for good cause that a hearing before it may be conducted in an alternative manner; and

Whereas, because the need to conduct a disability hearing may arise prior to the time that the Board of Supervisors adopts the above-referenced revisions, the Board of Trustees finds that good cause exists to adopt the attached revisions to Article 4 on an interim basis as authorized by section 4.07 of existing Appendix E;

Now Therefore Be It Resolved and Ordered as follows:

1. It is resolved by the Board of Trustees of the San Luis Obispo County Pension Trust that the attached process may be followed on an interim basis in any upcoming disability hearings as determined to be appropriate by the Board of Trustees.

Adopted: March 27, 2017

Approved as to Form and Legal Effect

Christopher W. Waddell
General Counsel

SIGNED: _____
Matt Janssen
President, Board of Trustees
San Luis Obispo County Pension Trust

ATTEST: _____
Carl Nelson, Executive Secretary

ARTICLE 4: HEARINGS

Section 4.01: Setting of Hearing. ~~Allowing sufficient time for notice, hearings before the Board of Trustees shall, if practicable, be set for the next meeting of the Board of Trustees occurring after the processing of the application under Article 3 of these rules has occurred. If the Executive Secretary determines that a hearing shall be set pursuant to Section 3.04 of these rules, the Executive Secretary shall select and appoint a referee from the Board of Trustees' list of approved Referees. Referees will be assigned to hear applications on a rotating basis unless the assignment involves an application previously heard by a referee, in which case that referee will be assigned to the matter if available.~~

Section 4.02: ~~Hearing Files~~Referees. ~~Each hearing shall be listed in the files of the Pension Trust under the name of the Member of the Pension Trust for or through whom benefits, rights, and privileges are claimed, whether such Member is the applicant or not. Reference to the hearing shall be by the name of the Member. The Board of Trustees' primary goal is the selection and retention of referees who will consider the underlying evidence and make recommendations to the Board of Trustees on a *de novo* basis, without giving weight to prior administrative actions or recommendations. During the conduct of disability retirement proceedings, the Referee constitutes the duly authorized representative of the Board of Trustees. Like the Board of Trustees, referees are expected to consider evidence and argument neutrally, with no pre-disposition towards the grant or denial of disability retirement applications. The Board of Trustees' duty is to determine whether the granting of a disability retirement in a particular case has merit based on the law and the evidence. The Board of Trustee's policy is to encourage a full and accurate fact finding. The Pension Trust is equally well served by a grant as by a denial where the decision is based on the law and the evidence.~~

Section 4.03: Notice of Hearing. ~~The Executive Secretary shall give notice of hearing to the applicant and all parties at least ten days prior to the hearing. A copy of these rules shall be furnished to the applicant and to any party requesting a copy of these rules at the time notice of hearing is given. Once a Referee has been assigned to hear a matter, the Notice of Referee Assignment shall be served by the Executive Secretary on the Referee and the parties, setting forth the issues for hearing, and with instructions that the hearing be set not less than 30 days and not more than 120 days of the service date of the Notice. The Notice shall describe hearing procedures, and be served with a copy of these procedures. The Notice shall further direct that the hearing will be held in the City of San Luis Obispo, California unless the Executive Secretary determines that good cause exists for the hearing to be held in an alternate location.~~

Section 4.04: Pre-Hearing Procedures. ~~Any interested party may request that the Referee schedule a pre-hearing telephone conference to set a hearing date and to discuss preliminary issues. In cases where the applicant is not represented by legal counsel, a mandatory pre-hearing phone conference will be scheduled to discuss the hearing procedures with the applicant and set a hearing date. Once the hearing date is set, the Referee will issue to the parties a Hearing Notice listing the time, date and location of the hearing and the issues to be heard. Where~~

applicable, the Executive Secretary will provide a copy of the Hearing Notice to the employing department and the County or employing member district.

Section 4.0405: Continuances. ~~The Executive Secretary or the Board of Trustees~~Referee may continue a hearing to a later meeting with the consent of the applicant and all parties. In the event the applicant and all parties do not consent to a continuance, the Referee shall decide whether to grant the continuance and may do so only upon a clear showing of good cause~~matter will be referred to the Board of Trustees for its decision.~~

Section 4.0506: Report of Hearings. ~~Hearings may be conducted without a stenographic reporter or recording machine unless some person interested in the hearing requests at least 5 days before the date set for the hearing that such hearing be reported or recorded and pays the cost or fee for such reporting or recording~~Every hearing shall be reported by a certified shorthand reporter. Conferences shall be reported only if so ordered in advance by the Referee. The Executive Secretary shall arrange for a reporter to be present whenever one is required. Except as provided in Section 4.14, the reporter's notes shall be transcribed only if requested by the Referee or an interested party, in which case the requesting party, if not the Referee, shall pay the transcription costs. The non-requesting parties may, at their expense, order certified copies directly from the court reporting service.

Section 4.06: Determination by Board of Trustees. ~~In the event of a hearing as provided for herein, the Board of Trustees shall determine all material issues raised by the application.~~

Section 4.07: Rules for Hearings. Unless the Board of Trustees otherwise orders for good cause, all hearings before the ~~Board of Trustees~~Referee shall be conducted in the following manner:

(a) (a) Presiding Officer. The President of the Board of Trustees presides over all hearings, and in the absence of the President the Vice president shall preside, and in the absence of both, the Board of Trustees shall select a presiding officer pro tem. The presiding officer~~Referee~~ shall exercise reasonable control over the proceedings. In addition to other duties, the presiding officer~~Referee~~ shall set the date, time and place of the hearing, confirm the issues to be heard pursuant to the Hearing Notice, rule on the admissibility of evidence, question witnesses and determine whether the matter shall proceed or be adjourned subject to continuation.

(b) Any and shall order a party to yield the floor when the party's allotted time has been consumed or when the orderly and expeditious conduct of the hearing requires it. interested party desiring to introduce evidence at a hearing shall serve all other interested parties with a written statement identifying all writings that the party will introduce and all witnesses that the party will call to testify. If any of the identified writings have not previously been served, a copy thereof shall be attached to the statement. In addition to stating the name, address, and telephone number of each witness, the statement shall contain a summary of the testimony that the witness is expected to give. If service is made by personal delivery, the date of delivery shall be

no later than the twentieth day before the hearing; if service is made by mail, the date of mailing shall be no later than the twenty-fifth day before the hearing.

- (a) ~~The presiding officer may permit such questioning and other participation in the proceedings by members of the Board of Trustees, or others, as will best serve the purposes of these rules.~~
- (b) ~~(b) Quorum. No hearing before the Board of Trustees shall be held unless at least a quorum of the Board of Trustees is present. The same Trustees must be in attendance throughout the hearing and only those Trustees who have been in attendance throughout the hearing may vote thereon.~~
- (c) Representation By Legal Counsel. Any applicant or party and/or the Executive Secretary shall be entitled to be represented by legal counsel, at such person's own expense, at any hearing ~~before the Board of Trustees~~. After an attorney at law appears at a hearing on behalf of an applicant or party, or after the Executive Secretary or Referee has received written notice that an attorney at law is appearing on behalf of the applicant or a party, all notices required by these rules shall thereafter be served upon such attorney at law. Substitution of or dismissal of an attorney by an applicant or a party shall be made in the manner provided in ~~Sections 284, 285 and 286 of~~ the Code of Civil Procedure.

Section 4.08: Order of Business for Hearing. Unless the ~~presiding officer~~Referee rules that it is not necessary to so proceed in a particular hearing, all hearings shall proceed in the following manner:

- (a) The ~~presiding officer~~Referee will read the title of the case and ask for appearances for the applicant and for all parties. ~~This information shall be recorded in the minutes of the Board of Trustees.~~ The ~~presiding officer~~Referee will inquire if the applicant and all parties are ready to proceed.
- (b) If the applicant and all parties are ready to proceed, the ~~presiding officer~~Referee will mark for identification only and not as evidence, all papers in the official file of the hearing, which should include:
- (1) The application for the benefit, allowance, right or privilege.
 - (2) The notice to the applicant of the date set for hearing, with proof of service.
 - (3) Other documents in the official files.
- (c) The Executive Secretary or ~~other person authorized by the presiding officer~~his or her designee shall read the application unless waived by the applicant and the parties.
- (d) The applicant shall present his or her evidence. The applicant shall have the burden of proof.
- (e) Each other party shall then present its evidence, in the order determined by the ~~presiding officer~~Referee.
- (f) The Executive Secretary or other person representing the Executive Secretary shall then present his or her evidence.
- (g) The applicant and each party will be allowed to cross-examine witnesses.

- (h) Upon application to the ~~presiding officer~~Referee, the applicant and each party may present rebuttal evidence.
- (i) Upon the conclusion of all testimony, the ~~presiding officer~~Referee will inquire if the applicant and all parties are ready to submit the matter for decision.
- (j) The hearing will then be closed and the matter submitted to the ~~Board of Trustees~~Referee for decision. If further documentary evidence is to be filed, the ~~Board of Trustees~~Referee may allow time for filing and serving such documentary evidence, and order that the matter will be deemed submitted after such period unless the applicant or any party objects to such documentary evidence within ten (10) days after it is filed. Copies of such documentary evidence shall be served on the applicant and on all parties who appeared at the hearing. Any post-hearing briefs shall be simultaneously submitted on a date directed by the Referee within 30 days of the last day of hearing, followed by simultaneous reply briefs on a date directed by the Referee within 10 days of the date set for post-hearing brief submittal. Such briefing periods shall only be extended by the Referee for good cause.
- (k) Within forty-five days after a matter is submitted to a Referee for a decision, or upon the completion of post-hearing briefing, whichever is later, the Referee shall file with the Executive Secretary and serve upon all interested parties a written report that includes a summary of the evidence, proposed findings of fact, recommended decision and proof of service.
- (l) The interested parties shall have ten days (plus 5 days if served by mail) from the date the Referee's report is served to file written objections with the Executive Secretary, along with proof of service upon all other interested parties. Any timely filed objections shall be incorporated in the record to be considered by the Board of Trustees. The Board of Trustees has discretion to decline consideration of untimely written objections, or oral objections or argument from any party that has not filed timely written objections.

Section 4.09: Rules of Evidence for Hearings.

- (a) The hearing need not be conducted according to technical rules of evidence relating to evidence and witnesses. Any relevant evidence shall be admitted if it is the sort of evidence on which responsible persons are accustomed to rely in the conduct of serious affairs, regardless of the existence of any common law or statutory rule which might make improper the admission of such evidence over objection in civil actions. Hearsay evidence may be used for the purpose of supplementing or explaining any direct evidence but shall not be sufficient in itself to support a finding unless it would be admissible over objection in civil actions. Admissibility of physicians' reports is governed by Section 4.11 and Section 4.12 of these rules.

Section 4.10: Witnesses.

- (a) Each party shall have the right to call and examine witnesses and to cross-examine opposing witnesses on any matter relevant to the issues.
- (b) Oral evidence shall be taken only on oath or affirmation.
- (c) If the applicant or any other party does not testify in his own behalf, he may be called and examined as if under cross-examination.

- (d) Refusal of any applicant or party to submit to examination or to answer relevant questions shall be grounds for considering such questions for the purposes of that hearing, to be answered in a way unfavorable to the refusing party, ~~and such refusal may result in dismissing the application of the applicant or party seeking affirmative relief.~~

Section 4.11: Documentary Evidence; Medical Reports.

- (a) Government Records. Certified copies of the reports or records of any governmental agency, division or bureau will be accepted as evidence in lieu of the original thereof.
- (b) Medical Reports. The Board of Trustees favors the production of medical evidence in the form of written reports. These reports should include:
- (1) History of the injury or illness;
 - (2) The patient's complaints;
 - (3) Source of all facts set forth in the history and complaints;
 - (4) Findings on examination;
 - (5) Opinion as to the extent of disability and working ability;
 - (6) Cause of the disability;
 - (7) Medical treatment indicated;
 - (8) Likelihood of permanent disability;
 - (9) Opinion as to whether or not the patient is permanently incapacitated physically or mentally for the performance of his duties in the service;
 - (10) The reasons for these opinions.

Section 4.12: Cross Examination of Physician on Medical Report.

- (a) The right of cross-examination of a physician on his or her written report may be deemed waived where the report of the physician has been filed with the ~~Board of Trustees~~Referee and served upon the applicant and any other parties ten (10) days or more prior to the hearing of the case and the applicant nor any party within five (5) days of such service requests to cross-examine the said physician.
- (b) The right of cross-examination of a physician on his or her written report may not be deemed waived where such request is made and the physician is produced at the hearing or good cause has been shown for not producing the physician. The applicant or the party submitting the written report of the physician shall, if requested by any opposing party, join in the request that the physician appear at the hearing; however, the person instituting the request that the physician be produced for cross-examination shall pay the physician's fee for such appearance. The ~~Board of Trustees~~Referee may require that this fee be deposited in advance of appearance.

Section 4.13: Continuances by the ~~Board of Trustees~~Referee; Additional Evidence, Examinations. The ~~Board of Trustees~~Referee may on ~~its-his or her~~ own motion continue any hearing to another time and place, order additional evidence to be presented, order additional medical examinations of the applicant, or allow other evidence to be gathered and presented, as in its determination a proper presentation of the case requires.

Section 4.14: Decision of the Board of Trustees. When a Referee's report is filed with the Executive Secretary pursuant to section 4.08(k), the Executive Secretary shall cause the matter to be placed on the agenda of the next regular Board of Trustees' meeting to take place after the expiration of the period in which the interested parties may file written objections, unless the expiration of that period occurs less than two weeks before the next regular meeting, in which case the matter shall be placed on the regular meeting agenda for the following month. The Board may, but is not required to, hear oral argument from any interested party that has filed timely written objections. If permissible under the Ralph M. Brown Act, the Board of Trustees shall hear disability retirement matters in closed session unless the member requests that the matter be heard in public session. The Board of Trustees shall take one of the following actions:

- (a) Approve and adopt the proposed findings and recommendations of the Referee; or
- (b) Approve and adopt the proposed evidentiary findings of the Referee and upon those findings take such action as in the Board of Trustee's opinion is indicated by such evidentiary findings;
- (c) Require a transcript or summary of all the testimony, plus all other evidence received by the Referee, and upon receipt thereof take such action as in the Board's opinion is indicated by such evidence; or
- (d) Refer the matter back to the Referee for further proceedings, with or without instructions.

~~The Board of Trustees shall render its decision by the second regular meeting following the meeting at which the matter is submitted for decision.~~ Any finding or decision of the Board of Trustees must be made by the affirmative votes of at least four Trustees. ~~A failure~~ If the Board of Trustees fails to reach a finding or decision to obtain the affirmative votes of at least four Trustees within 100 days of the filing of the Referee's report, the Referee's report shall be deemed adopted by the Board of Trustees. is a failure to find in favor of the applicant and constitutes a denial of the application, or that portion of the application, on which the vote is taken.

Section 4.15: Notice of Decision. Written notice of the decision of the Board of Trustees, ~~containing findings of fact and conclusions of law~~ shall be delivered or mailed to the applicant and each party within ten days following the date the decision is rendered.

Board of Trustees

1000 Mill Street
San Luis Obispo, CA 93408
Phone: (805) 781-5465
Fax: (805) 781-5697
www.SLOPensionTrust.org



Date: March 27, 2017

To: Board of Trustees

From: Carl Nelson – Executive Secretary
Amy Burke – Deputy Executive Secretary
Chris Waddell – General Counsel

Agenda Item Number 10: Disability Hearings—Establish Panel of Referees

Recommendation:

Staff and the General Counsel recommend that the Board approve the engagement of Catherine Harris, Esq., Deborah Wissley, Esq. and Barbara Kong-Brown, Esq. to serve on the Pension Trust's newly-created panel of referees to conduct disability hearings under both the interim and permanent revisions to Appendix A of the Plan.

Discussion:

As a part of its consideration of proposed revisions to Appendix A of the Plan that provide for an evidentiary hearing to be conducted by a referee as opposed to the Board itself, the Board directed based upon the recommendation of Staff and the General Counsel that the current members of the referee panel of the Santa Barbara County Employees' Retirement System (SBCERS) be contacted to determine their interest in participating on the Pension Trust's own panel. Based on this direction, the General Counsel contacted all four members of the SBCERS referee panel to determine their interest in so participating based upon the same terms currently in place with that system.

The General Counsel received prompt responses from all four of the SBCERS panel members. The individuals listed in the Recommendation above all expressed their agreement to participate on the Pension Trust's panel on the SBCERS terms. A fourth member of the SBCERS panel was not willing to participate on those terms owing to the

longer travel time to San Luis Obispo and the corresponding impact on other aspects of her practice.

Staff and the General Counsel believe that having three available referees on the Pension Trust's panel is sufficient, particularly given the expected infrequency of hearings. As such, it is recommended that the Board approve the execution of contracts with Ms. Harris, Ms. Wissley and Ms. Kong-Brown. We anticipate signing three-year contracts with a fixed hourly rate of \$175 per hour with reimbursement for round trip travel expenses and no hourly payment for travel time per the terms of the SBCERS contracts. No funds would be owed under the contracts unless and until a hearing was assigned to a referee.

Respectfully submitted,

Carl Nelson
Executive Secretary

Amy Burke
Deputy Executive Secretary

Chris Waddell
General Counsel

CATHERINE HARRIS, ESQ.
ARBITRATOR • MEDIATOR
5960 South Land Park Drive Suite 255
Sacramento, CA 95822-3313
(916) 444- 3317

- EDUCATION:** J.D., University of Arkansas, School of Law (Fayetteville) with honors, American Jurisprudence Awards in Conflicts of Law and Remedies; B.A., University of Wisconsin (Madison) Knapp Scholar with honors,
- ADMISSIONS:** State Bar of Arkansas (1974)
TO BARS/COURTS: State Bar of California (1977)
United State Court of Appeals for the Ninth Circuit
United States Court of Appeals for the Tenth Circuit
United States District Court Eastern District of Arkansas
United States District Court Northern District of California
United States District Court Eastern District of California
United States District Court Central District of California
United States District Court Northern District of Texas
- EMPLOYMENT:** Private practice of labor and employment law representing major labor unions, Youngdahl & Larrison, Little Rock (1974-76) and Levy & Goldman, Los Angeles (1978-80); NLRB Field Attorney with Regions 20 and 32 in San Francisco and Oakland (1977-78); Assistant Chief Counsel, CA Department of Personnel Administration, Sacramento (1981-82); private practice representing management clients both public and private (1983-90); full-time neutral practice as administrative law judge, arbitrator, and mediator since 1990.
- NEUTRAL EXPERIENCE:** Hearing Officer, Sacramento County Civil Service Commission since 1986 (Presiding Hearing Officer 1988-1990 and 1992-1994); Hearing Officer, City and County of San Francisco since 1991; has served as referee or hearing officer in more than 300 disability retirement cases in the following counties: Tulare, Sonoma, Santa Barbara, Sacramento, Stanislaus, Kern, Mendocino, San Francisco, Alameda, Fresno, Los Angeles, San Diego and Contra Costa. Has served as hearing officer appointed by the Sacramento County Board of Supervisors in tax assessment appeals. Has served as a referee for the California Horse Racing Board in more than fifty cases. Has also served as court-appointed referee and facilitator for United States District Courts in Dalkon Shield and breast implant litigation. Arbitration, factfinding and mediation experience in public and private sectors in wide range of industries including health care and local government. As member of many distinguished panels, resolves employment disputes in both union and non-union settings. Since 1990, has been selected or appointed to adjudicate or mediate more than 2000 disputes involving commercial, tort, business, real estate, professional malpractice, land use, personal injury and intellectual property issues.
- PROFESSIONAL ASSOCIATIONS** Member of American Arbitration Association's Commercial, Employment and Mediation Panels
Member, National Academy of Arbitrators
Fellow, College of Labor and Employment Lawyers (admitted as neutral practitioner in 2009)

RESUME

Deborah Z. Wissley
10061 Riverside Drive #120
Toluca Lake, California 91602
(818) 642-2091

wissley@hotmail.com

Education:

J.D., U.C. California, Davis 1981
B.A., Phi Beta Kappa, Mills College, 1978

Court Admissions:

California, SBN 102954

Federal: Central, Southern, Eastern Dist. Courts; 9th Circ. Court of Appeals

Arbitrator/Hearing Officer/Referee/Examiner Positions:

Los Angeles Superior and Municipal Courts	1990 - 2000
Kaiser Health Foundation	1999 - present
Santa Barbara County Employees' Retirement System:	2004 - present
City of Long Beach	2005 - present
Kern County Employees' Retirement Association:	2006 - present
San Bernardino Employees' Retirement System:	2008 - present
Ventura County Employees' Retirement Association:	2008 - present
City of Santa Monica	2008 - present
Los Angeles County Employees' Retirement Association:	2010 - present
Orange County Employees' Retirement Association:	2011 - present
City of Los Angeles Civil Service Commission	2013 -present

Litigation/Appellate Experience:

Partner, Cooper, Phillips & Peterson, LLP, 2004 - 2007
Associate, Veatch, Carlson, Grogan & Nelson, 2001 - 2002.
Associate, Albright, Yee & Schmit, LLP, 2000 - 2001
Principal, Law Offices of Deborah Z. Wissley, 1989 - 2000.
Principal, Spray, Gould & Bowers, 1986-1989
Associate, Spray, Gould & Bowers, 1984-1986
Associate, Law Offices of John G. Kerr, 1983-1984
Associate, Helphand & Rich, 1982
Judicial Extern, California Court of Appeal, 2nd District, Div. 1, 1981

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SBCERS

REFEREE SERVICES RFP

Santa Barbara County Employees' Retirement System (SBCERS)

III. SUBMISSION REQUIREMENTS

B. Attorney Qualification and Experience

- Current Curriculum Vitae

BARBARA KONG-BROWN
ATTORNEY, MEDIATOR & ARBITRATOR
P.O. Box 10366, Oakland, CA 94610
Tel.: (510) 208-3688 Fax: (510) 208-5188 E-mail:
Bkongbrown1@gmail.com

- I. **GENERAL INFORMATION:** CA State Bar No. 53, 912 Admitted to Practice 1972 Member, All Courts in State of California, United States District Court for the Northern District of California, State Bar of California; Alameda County Bar Association ADR Executive Committee; Alameda County Commission on the Status of Women; Mediation Society; Commissioner, Oakland-Alameda County Coliseum Authority.
- II. **EDUCATION:** J.D. University of San Francisco; Teaching Credential, California State University, Hayward, CA; B.A. Oriental Languages, University of California, Berkeley, ; E.E.O. Investigator Training, Certified MD-110, 2003
- III. **ADR EXPERIENCE:** Has participated in over 2,000 ADR matters and mediated over 900 cases, including E.E.O. mediations related to Title VII of the Civil Rights Act of 1964, as amended, Civil Rights Act of 1991, Age Discrimination in Employment Act of 1967, as amended, Equal Pay Act of 1963, as amended, Americans with Disabilities Act of 1990, as amended; Neutral Fact Finding/Evaluator, Investigator in cases involving employment and immigration issues; Ms. Kong-Brown has served on several ADR panels:
 - American Arbitration Association Employment, Insurance disputes and Commercial Panel
 - California State Court of Appeals
 - U.S. Federal District Court, Northern District of California
 - Superior Courts of Alameda County, Contra Costa County, Santa Clara, San Mateo and Yolo County
 - Alameda County Bar Association Mediation Panel
 - E.E.O.C. Mediation Panel, San Francisco, Washington D.C. and Atlanta

- U.S. Postal Redress Mediation Program
- U.S. Postal Labor Arbitration Panel.
- Hearing Officer

- Alameda County Civil Service Commission
- Administrative Hearings- the City of Oakland
- Ombudsperson for the Alameda County Employee Retirement Association (ACERA)
- ACERA disability retirement hearings panel
- Kaiser Permanente Member Arbitrations
- Port of Oakland Project Labor Agreement
- U.S. Postal Labor Arbitration Panel
- Federal Mediation and Conciliation Service Labor Arbitration Panel
- State Mediation and Conciliation Service
- City of San Jose and Santa Clara Building Trades Council, Project Labor Agreement, San Jose International Airport Master Plan Project Labor Agreement
- Oakland Unified School District Project Labor Agreement
- Bay Area Rapid Transit (BART) and SEIU, Local 790
- Los Angeles County Disability Retirement Hearings Panel
- Kern County Disability Retirement Hearings Panel
- City and County of San Francisco Employee Disability Retirement Hearings Panel

IV. AREAS OF LEGAL AND ADR EXPERTISE: Labor and Employment, Disability Retirement Hearings,

Commercial Matters, Probate, Trusts and Estates, Insurance Disputes, Personal Injury, Landlord-Tenant, Legal and Medical Malpractice, & Real Estate

V. MEDIATION TRAINING: Over 200 Hours-AAA Center for Mediation: 1993-Las Vegas (3 days) Mediation Training Program: Negotiation and Mediation Processes, Stages of Mediation Process, Communication Skills, Mediation techniques, Breaking Impasse, Analysis of Issues and Evaluation for Settlement Options; 1994-Las Vegas (1.5 days) Interest Based Negotiation Principles and Techniques, Negotiation in Mediation Context vs. Settlement Context, Settlement Techniques; 1995-Los Angeles (2 days) Advanced Employment Mediation Techniques; 1995-San Francisco(2 days) Employment Mediation-Ethical Issues, Types of Mediation, including Joint Session/Caucus, Trust Building, 1998-Orlando, Advanced Mediation Training; U.S. District Court: 1998-Mediation Training , Using Risk, Uncertainty & Probability as Mediation Tools (total of 2.5 days); U. S. Postal Service Redress Program: 1999-Transformative Mediation(2 days); State Court of Appeals: 2000-Advanced Mediation Training, Ethics, Standards and Confidentiality, Understanding and Managing Conflict, Barriers to Settlement, Simulations (2.5 days) 2000-American Arbitration Association, Advanced Mediation Training, (2 days); California State Court of Appeals, First District, Advanced Mediation Training, 2003 (14 hours).

VI. ARBITRATION TRAINING: Over 200 hours-American Arbitration Association

(AAA), Los Angeles, 1995 (2 days); Employment Arbitration Training, AAA, San Francisco, 1997; Advanced Mediation and Arbitration Training, Orlando, 1998 (2 days); Advanced Arbitrator Multi-Panel Workshop, 2005 (1 day); Comprehensive Arbitrator Training, Federal Mediation and Conciliation Service, Las Vegas, 2002 (40 hours), 2006, Collective Bargaining Agreements (6.5 hrs.), Collective Bargaining Agreements, Seattle (1 day); Advanced Employment Arbitration Training, AAA San Francisco, 2002(2 days); American Arbitration Association, Scottsdale, AZ, Neutrals' Conference, 2003(2 days); National Academy of Arbitrators, San Juan, Puerto Rico, 2003, (3 days), 2005, Chicago Illinois (3 days), Washington D.C. (3 days); Administrative Law Judge-High Volume, National Judicial College, Reno, NV(4 days-2007); Logic and Opinion Writing, National Judicial College(4 days-2008); Advanced Administrative Law, National Judicial College (4days-2009-Delaware); 2010(ADR-Self Represented Litigants-National Judicial College(4 days-Reno, 2011); National Association of Hearing Officials-Advanced Evidence-Sedona, Az (4 days-2012); NAHO-Advanced Administrative Law-San Antonio, Tx-4 days 2013-NAHO; Fair Hearing-Charleston, SC-4 days 2014) NAHO

VII. REPRESENTATIVE CASES HANDLED AS ARBITRATOR: Arbitrated numerous insurance disputes, personal injury, and labor and employment cases and commercial matters. Issues include: Fraud, Termination and other discipline, severe catastrophic personal injuries, wrongful death, medical malpractice, contract issues, benefits, severance, retirement, layoffs, equal pay, statutory claims including Title VII issues, sexual harassment, ADA, age discrimination, partnership disputes, ownership of business franchises, and unfair competition in business contracts involving the United States and Asian partners & disability retirement appeal hearings

VIII. REPRESENTATIVE CASES HANDLED AS MEDIATOR: Mediated commercial cases involving: a dispute between business partners over ownership interests in a newly formed corporation with seven-figure revenues with underlying fraud and cultural issues; multiple claims of unfair sales practices in \$400 million insurance settlement; a seven-figure contract dispute over sale of a business with tort issues; and disputes over purchase and sale of residential property; Mediated multiple cases involving landlord-tenant disputes; Mediated will contest in seven figure probate estate involving a father and son and emotional issues concerning undue influence. Handled multiple personal injury matters including: claim of \$1,000,000 involving plaintiff in his late 70s arising from auto-pedestrian collision and multiple claims against large restaurant chain for personal injuries. Mediated a multitude of employment claims including: sexual harassment case with multiple claimants against female supervisor and settlement demands over \$1,000,000; a claim of several female employees for wrongful termination, age discrimination, sexual harassment, and retaliation by female supervisors; a dispute between employee and public entity employer with allegations of failure of reasonable accommodation and ADA issues with settlement demand in seven figures. Handled cases with multiple claims of racial discrimination based on discriminatory treatment in public

accommodations in large restaurant chain. Mediated disputes involving the Department of Labor, growers, and canners over contract prices of crops.

IX. LEGAL EXPERIENCE: Ms. Kong-Brown is a full time arbitrator/mediator and has been an attorney for over 30 years; She was corporate counsel for a Fortune "50" company for 10 years and has handled Title VII litigation, litigation arising out of Federal contract compliance reviews, and Department of Labor equal pay and wage-hour investigations; Represented the corporation in all aspects of employment and labor law, developed corporate wide training manuals and programs for affirmative action, investigation of E.E.O.C charges, grievances and arbitrations and represented the company in over 100 labor arbitrations; She has also worked as a litigation attorney for the Equal Employment Opportunity Commission; She was the managing partner of a general civil practice law firm for 14 years, which included personal injury, insurance disputes, labor and employment matters on behalf of plaintiffs, commercial business matters, probate & real estate, and family law issues. She has handled premises liability cases, auto collisions, medical malpractice and products liability matters. Injuries have included catastrophic burns, loss of eyes, extremities, severe head injuries, and wrongful death. Settlement values have been in the seven figures. Practice divided almost equally between representation of plaintiffs and defendants. She has been a full time neutral since 1998.

X. SERVICES OFFERED: Mediation, Arbitration, Neutral Fact finding, Investigations

XI. LANGUAGES SPOKEN: Languages Spoken; Chinese (Fluent in Cantonese, Understanding of Mandarin and Spanish)

XII. PUBLICATIONS AND SPEAKING ENGAGEMENTS: 1999 Mediation Seminar, "A Decade of Mediation, Lessons Learned, American Arbitration Association, Presenter; 1999; National Employment Conclave, Success of Workplace ADR: Perceptions and Realities, Presenter, American Arbitration Association; 2000, Effective Employment Conflict Management, ADR Due Process, Presenter, American Arbitration Association; "Cultural Challenges in Mediation," 2001, American Arbitration Association; Presenter, "When Does Race and Gender Matter in Selection of a Mediator," California State Bar Annual Convention, 2000; Presenter; Presenter, American Arbitration Association, "Cultural Factors in ADR", 2003; Presenter, E.E.O.C., E.E.O. "A to Z: Monterey, CA, 2003; American Arbitration Association; "Dealing With Pro Se Litigants: A Juggling Act Between Fairness and Impartiality," Vol. 4, Issues 2-3, American Bar Association, Conflict Management, Winter, 1999; "Cultural Amnesia in the Legal Profession", Daily Journal, California Law and Business, April 10, 2000; Alameda County Bar Association Law Bulletin, Vol. 31, No. 6, June, 2000; "Cross Cultural Challenges in Mediation," "Facing East," Daily Journal, Verdicts and Settlements, August 2001.

XIII. WORK HISTORY: Arbitrator/Mediator since 1993; Managing Partner, KONG & KONG Law Firm, 1984-1998; Litigation Manager, Senior Counsel, Labor and Compliance Law, AMERICAN CAN CO. 1973-1977, 1980-1983; Affirmative Action Manager, LEVI STRAUSS, 1979; Assistant Syndication Manager, WELLS FARGO BANK, 1977-1978; Litigation Attorney, EQUAL EMPLOYMENT OPPORTUNITY COMMISSION, 1973; REGINALD HEBER SMITH FELLOW, 1972

- **Certification**

I, Barbara Kong-Brown, certify that I am an active member, in good standing, with the State Bar of California, for a minimum of five years. My California State Bar number is 53,912.

- **Description of past experience as an adjudicator(arbitrator, hearing officer, judge pro tem, etc.) in addition to experience in CERP, other public pension agency, disability, Social Security, or workers' compensation law cases.**

I have over 20 years of experience as an arbitrator/hearing officer/mediator. I have been an arbitrator since 1993 and became a full time neutral in 1998. I have participated in over 2000 ADR matters. I have delineated my experience on various ADR panels in my curriculum vitae, which includes the following:

Hearing officer for the Alameda County Employees Retirement Association since 2005

Hearing officer for the City and County of San Francisco Employees Retirement Association Disability Retirement Appeal Hearings from 2008-2011

Hearing officer on the Los Angeles County Disability Retirement Association Disability Retirement Appeal Hearings since 2010

Ventura Settlement-Retirement Benefits Ombudsperson

Administrative hearings officer for the City of Oakland since 2006

I would like to emphasize that I am currently on the Disability Retirement Appeals Panel for Los Angeles and Alameda Counties and have handled over 50 cases to decision. Typical issues include service-connected disability, permanent incapacity, substantial contribution to condition from employment, timing issues, and effective dates. Applicants have ranged from deputy sheriffs, to police officers, social service workers, health care providers, custodial staff, train operators, bus drivers, cafeteria workers, and other professional staff.

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Board of Trustees

1000 Mill Street
San Luis Obispo, CA 93408
Phone: (805) 781-5465
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www.SLOPensionTrust.org

San Luis Obispo County Pension Trust *SLOOPT*

Date: March 27, 2017

To: Board of Trustees

From: Carl Nelson – Executive Secretary
Amy Burke – Deputy Executive Secretary

Agenda Item 11: Investment Report for February 2017

	February	Year to Date 2017	2016	2015	2014	2013
Total Trust Investments (\$ 000s)	\$1,243,311		\$1,196,775 year end	\$1,148,315 year end	\$1,190,316 year end	\$1,131,022 year end
Total Fund Return	1.7% Gross	3.4% Gross	6.6 % Gross	-1.1 % Gross	5.1 % Gross	13.8% Gross
Policy Index Return (r)	1.5%	2.8%	7.7 %	-0.8 %	5.2 %	13.4%

(r) Policy index as of Aug. 2016 revision to Strategic Asset Allocation Policy: 20% domestic equity, 20% international equity, 15% core bonds, 5% bank loans, 5% global bonds, 5% emerging market debt, 15% real estate, 5% commodities, 5% private equity, 5% private credit.

The Economy:

The main factors in the global economy for February and into mid-March have been –

- **Fed Policy** – The Fed followed its guidance from its increase in the Fed Funds target rate in December with another increase in mid-March. The revised target for the Fed Funds rate is 0.75% to 1.00%. The accompanying announcement from Fed Chair Yellen was that the Fed still plans to move slowly as the economy improves gradually. Fed officials predicted in December that the economy would expand 2.1% this year, slightly faster than the 1.8% pace

they regard as sustainable. Growth above the sustainable pace can lead to higher inflation. That, in turn, can force the Fed to raise rates more quickly, a course that often ends in a recession. The Fed also is concerned over the pace of job growth as being sustainable. The unemployment rate fell below 5% in May 2016. Since then, employment has continued to expand at an average of 215k jobs / month — more than twice the job growth necessary to keep pace with population growth. The faster growth is good news for the economy, indicating that workers who withdrew from the labor market are returning to work. The sustainability of this trend is a point of concern for the Fed.

- **Employment** - The US unemployment rate remained in full-employment range in February at a 4.7% rate with a 235k increase in new jobs. Average hourly earnings also rose by about 0.2% in February further supporting the view of a domestic economy operating at near full employment.

Investment Markets:

The attached report from Verus covers the investment returns of the SLOCPT portfolio and general market conditions through the end of February. The strong investment performance in the first two months of 2017 should be viewed as a good start to the year, but not predictive of the full year. The relatively high valuation levels in domestic equities in particular give pause for concern over interim market corrections despite a generally optimistic economic outlook.

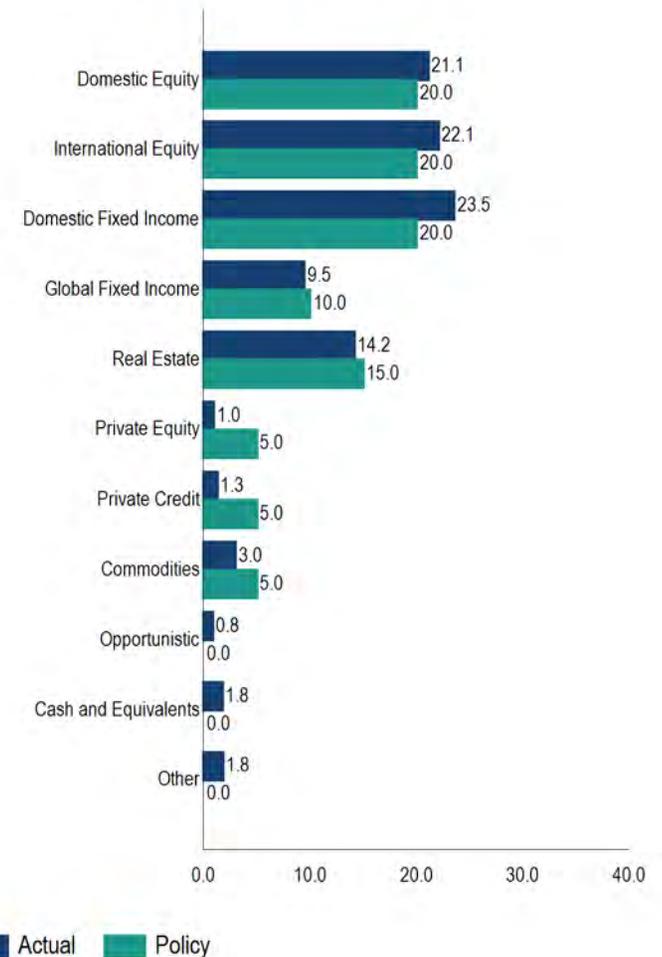
San Luis Obispo County Pension Trust

Executive Summary - Preliminary (Gross of Fees)

Period Ending: February 28, 2017

	Market Value	% of Portfolio	1 Mo	YTD
Total Fund	1,243,413,111	100.0	1.7	3.4
Total Fund ex Clifton	1,220,757,719	98.2	1.5	3.2
Policy Index			1.5	2.8
Total Domestic Equity	262,449,526	21.1	4.0	5.8
Russell 3000			3.7	5.7
SSGA S&P 500 Flag.	10,854,117	0.9	4.0	5.9
S&P 500			4.0	5.9
PIMCO RAE Fundamental PLUS Instl	52,094,360	4.2	3.2	4.2
S&P 500			4.0	5.9
Loomis Sayles Large Cap Growth	74,905,043	6.0	3.7	7.0
Russell 1000 Growth			4.2	7.7
Boston Partners Large Cap Value	72,711,180	5.8	3.9	--
Russell 1000 Value			3.6	--
Atlanta Capital Mgmt	51,884,827	4.2	5.2	5.3
Russell 2500			2.4	3.8
Total International Equity	274,495,929	22.1	0.8	4.8
MSCI ACWI ex USA Gross			1.6	5.2
Dodge & Cox Intl Stock	146,458,273	11.8	1.3	5.7
MSCI EAFE Gross			1.4	4.4
Vontobel	16,679	0.0		
MSCI EAFE Gross				
WCM International Growth	128,020,978	10.3	--	--
MSCI ACWI ex USA Gross			--	--
Total Domestic Fixed Income	292,715,967	23.5	1.2	1.3
BBgBarc US Aggregate TR			0.7	0.9
BlackRock Core Bond	93,881,601	7.6	0.8	--
BBgBarc US Aggregate TR			0.7	--
Dodge & Cox Income Fund	94,246,671	7.6	0.8	--
BBgBarc US Aggregate TR			0.7	--
PIMCO Core Plus	18,946,267	1.5		
BBgBarc US Aggregate TR				
Pacific Asset Corporate Loan	66,634,459	5.4	0.5	1.4
S&P/LSTA Leveraged Loan Index			0.5	1.1

Actual vs Target Allocation (%)



*Other balance represents Clifton Group.

Policy Index (10/1/2016): 20% Russell 3000, 20% MSCI ACWI ex. US, 30% BBgBarc Aggregate, 15% NCREIF Property, 5% Bloomberg Commodity, 5% Russell 3000 + 300 bp, 5% BBgBarc High Yield + 200 bp lagged. Effective 1/01/2017, only traditional asset class (public equity, public fixed income, REITs) investment management fees will be included in the gross of fee return calculation. ARA American funded 6/22/2016. ARA American and Direct Real Estate MVs as of 12/31/2016 +/- calls and distributions. Fidelity Real Estate Growth II liquidated 12/31/2015. TPG funded 11/21/16. Loomis Sayles LC Growth funded 12/31/16. PIMCO Core Plus liquidated 1/6/2017. Vertas Transition funded 1/6/2017. BlackRock Core Bond funded 1/19/2017. Dodge & Cox Income Fund funded 1/19/2017. Boston Partners funded 2/1/2017. WCM Intl Growth replaced Vontobel on 2/15/2017. All data is preliminary.

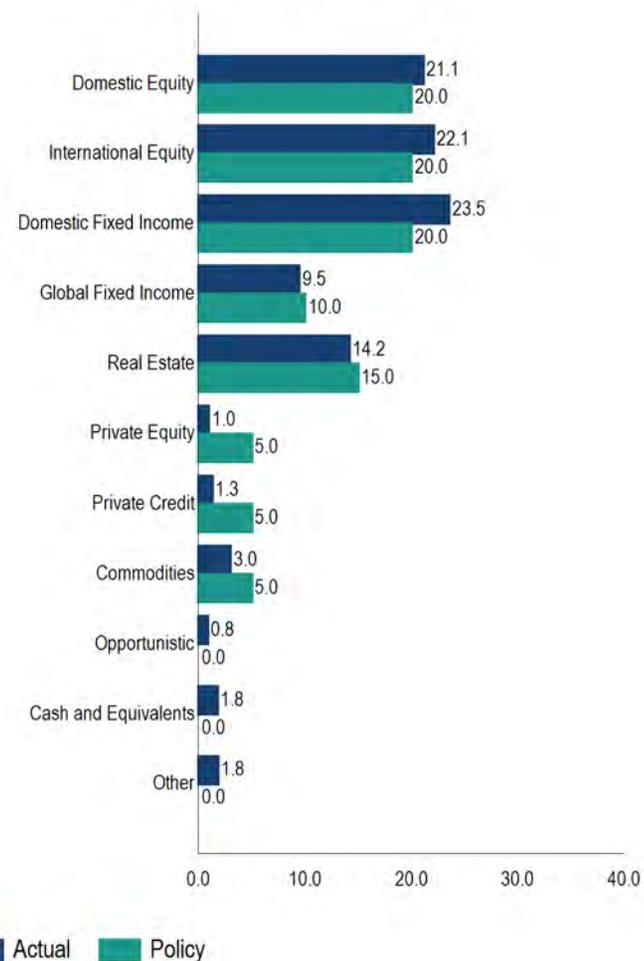
San Luis Obispo County Pension Trust

Executive Summary - Preliminary (Gross of Fees)

Period Ending: February 28, 2017

	Market Value	% of Portfolio	1 Mo	YTD
SSGA TIPS	18,979,842	1.5	0.5	1.3
BBgBarc US TIPS TR			0.5	1.3
Veritas Transition Account	27,127	0.0		
Total Global Fixed	117,669,810	9.5	1.6	4.3
Citi World Govt Bond Index			0.4	1.4
Brandywine Global Fixed Income	59,695,283	4.8	0.9	3.5
JPM GBI Global TR USD			0.4	1.3
Stone Harbor Local Markets Ins	57,974,527	4.7	2.3	5.1
JPM GBI-EM Global Diversified TR USD			1.8	4.1
Total Real Estate	176,168,296	14.2	0.4	1.3
NCREIF Property Index				
ARA American Strategic Value Realty	10,851,862	0.9	0.0	0.0
NCREIF-ODCE				
NCREIF Property Index				
Direct Real Estate	22,370,453	1.8	0.0	5.5
NCREIF-ODCE				
NCREIF Property Index				
JP Morgan Core Real Estate	142,137,395	11.4	0.5	0.8
NCREIF-ODCE				
NCREIF Property Index				
Fidelity Real Estate Growth III	808,586	0.1	0.7	1.1
NCREIF-ODCE				
NCREIF Property Index				
Total Commodities	37,073,150	3.0	0.3	1.7
Bloomberg Commodity Index TR USD			0.2	0.3
Gresham MTAP Commodity Builder	37,073,150	3.0	0.3	1.7
Bloomberg Commodity Index TR USD			0.2	0.3

Actual vs Target Allocation (%)



*Other balance represents Clifton Group.

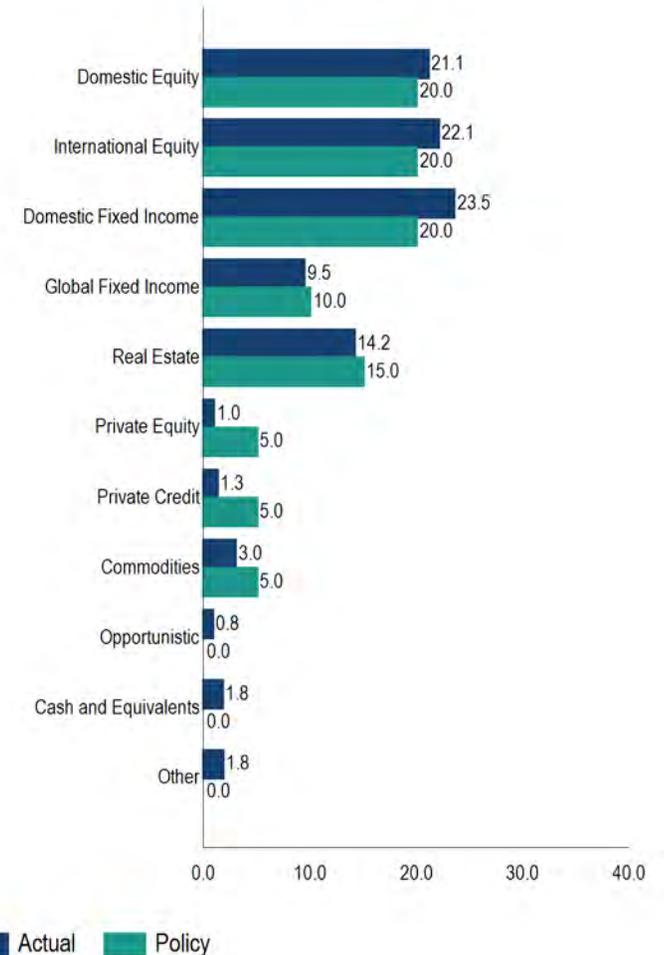
Policy Index (10/1/2016): 20% Russell 3000, 20% MSCI ACWI ex. US, 30% BBgBarc Aggregate, 15% NCREIF Property, 5% Bloomberg Commodity, 5% Russell 3000 + 300 bp, 5% BBgBarc High Yield + 200 bp lagged. Effective 1/01/2017, only traditional asset class (public equity, public fixed income, REITs) investment management fees will be included in the gross of fee return calculation. ARA American funded 6/22/2016. ARA American and Direct Real Estate MVs as of 12/31/2016 +/- calls and distributions. Fidelity Real Estate Growth II liquidated 12/31/2015. TPG funded 11/21/16. Loomis Sayles LC Growth funded 12/31/16. PIMCO Core Plus liquidated 1/6/2017. Veritas Transition funded 1/6/2017. BlackRock Core Bond funded 1/19/2017. Dodge & Cox Income Fund funded 1/19/2017. Boston Partners funded 2/1/2017. WCM Intl Growth replaced Vontobel on 2/15/2017. All data is preliminary.

San Luis Obispo County Pension Trust
 Executive Summary - Preliminary (Gross of Fees)

Period Ending: February 28, 2017

	Market Value	% of Portfolio	1 Mo	YTD
Total Private Equity	11,949,936	1.0		
Harbourvest Partners IX Buyout Fund L.P.	11,949,936	1.0		
Russell 3000 + 3%				
Total Private Credit	15,682,095	1.3		
TPG Diversified Credit Program	15,682,095	1.3		
BBgBarc High Yield +2% (Lagged)				
Total Cash	21,993,545	1.8	0.0	0.2
91 Day T-Bills			0.0	0.1
Cash Account	21,993,545	1.8	0.0	0.2
91 Day T-Bills			0.0	0.1
Total Opportunistic	10,559,464	0.8		
Kohlberg Kravis Roberts & Co. Mezzanine Partners I	8,318,972	0.7		
PIMCO Distressed Credit Fund	2,240,492	0.2		
CPI + 5%				

Actual vs Target Allocation (%)



*Other balance represents Clifton Group.

Policy Index (10/1/2016): 20% Russell 3000, 20% MSCI ACWI ex. US, 30% BBgBarc Aggregate, 15% NCREIF Property, 5% Bloomberg Commodity, 5% Russell 3000 + 300 bp, 5% BBgBarc High Yield + 200 bp lagged. Effective 1/01/2017, only traditional asset class (public equity, public fixed income, REITs) investment management fees will be included in the gross of fee return calculation. ARA American funded 6/22/2016. ARA American and Direct Real Estate MVs as of 12/31/2016 +/- calls and distributions. Fidelity Real Estate Growth II liquidated 12/31/2015. TPG funded 11/21/16. Loomis Sayles LC Growth funded 12/31/16. PIMCO Core Plus liquidated 1/6/2017. Vertas Transition funded 1/6/2017. BlackRock Core Bond funded 1/19/2017. Dodge & Cox Income Fund funded 1/19/2017. Boston Partners funded 2/1/2017. WCM Intl Growth replaced Vontobel on 2/15/2017. All data is preliminary.



**PERSPECTIVES
THAT DRIVE
ENTERPRISE
SUCCESS**

FEBRUARY 2017
Capital Markets Update

Market commentary

ECONOMIC CLIMATE

- Headline CPI increased by 2.5% year-over-year in January, up 45 bps from the prior month, mainly driven by rising energy prices. Core CPI increased 2.3% over the previous year, up 4 bps from the prior month.
- Consumer spending increased in January by 0.4% month-over-month, above the consensus estimate of 0.1%. Furthermore, December's retail sales growth rate was revised upwards from 0.6% to 1.0%.
- The Conference Board Consumer Confidence Index rose 3.2 points to a 15-year high of 114.8 in February. The increase was attributed to optimistic expectations of employment and wage growth.
- The ISM manufacturing index increased 1.7% in February to a 2-year high of 57.7, above the consensus estimate of 56.4. Readings above 50 indicate a general expansion in manufacturing activity.

DOMESTIC EQUITIES

- Domestic equities provided a positive return for the fourth consecutive month, as the S&P 500 returned 4.0% in February.
- The Dow Jones Industrial Average tied its longest streak of consecutive record high closes at 12 sessions, and briefly topped 21,000 points before ending the month at 20,812.
- With 98% of companies in the index reporting results for the fourth quarter thus far, the blended earnings growth rate for the S&P 500 was 4.9% as of March 2nd.

DOMESTIC FIXED INCOME

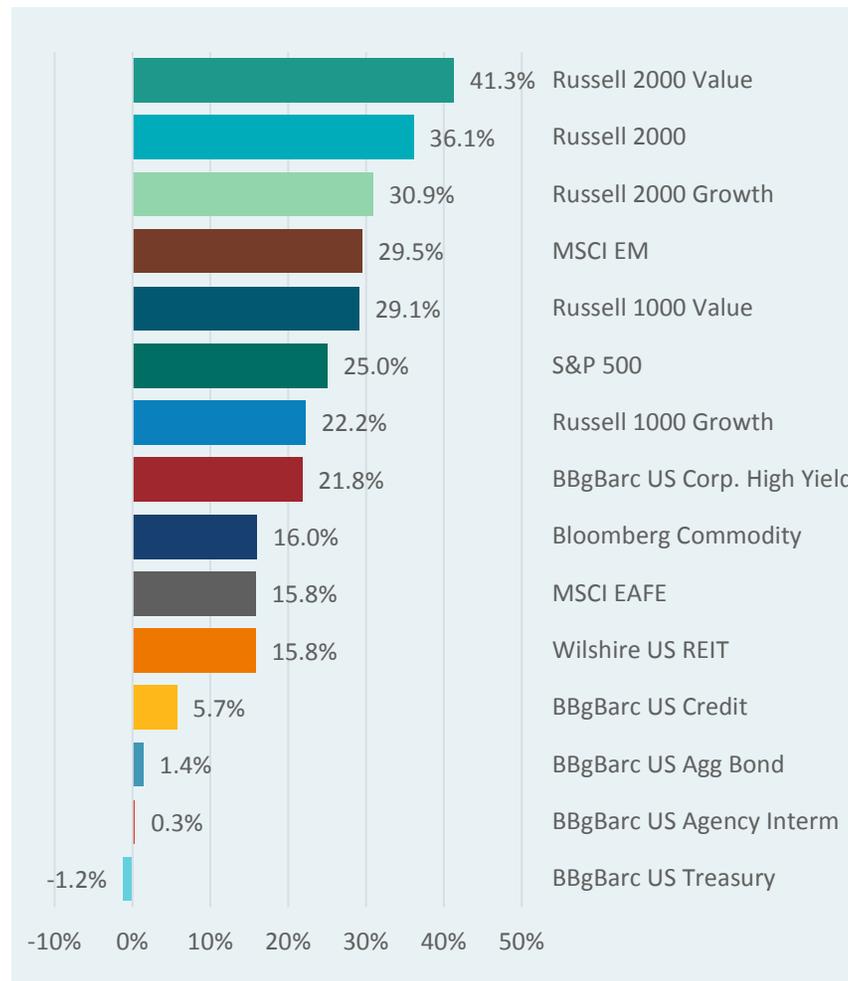
- Domestic fixed income returns were positive in February, as the Bloomberg Barclays U.S. Aggregate returned 0.7%.
- U.S. interest rates fell modestly as the 10-year Treasury yield dropped 9 bps and ended the month at 2.36%.
- The U.S. Treasury curve flattened slightly in February, with the 10-year minus 2-year Treasury yield spread contracting from 1.26% to 1.14%.

INTERNATIONAL MARKETS

- International equities underperformed domestic equities (S&P 500 4.0%) as the unhedged MSCI ACWI ex US returned 1.6% (1.9% hedged).
- Inflation in the U.K. approached the Bank of England's annual target of 2.0% for the first time since 2013, as CPI grew at 1.8% year-over-year in January, influenced by increased energy and food prices.
- Japanese headline inflation was 0.4% year-over-year in January, well below the Bank of Japan's annual target of 2.0%. Core inflation increased 0.1% year-over-year, the first positive change since December of 2015.
- According to Bloomberg, emerging market debt and equity ETFs have received inflows of more than \$7 billion year-to-date. Russia, Brazil and Turkey were the largest beneficiaries of the investment flows.

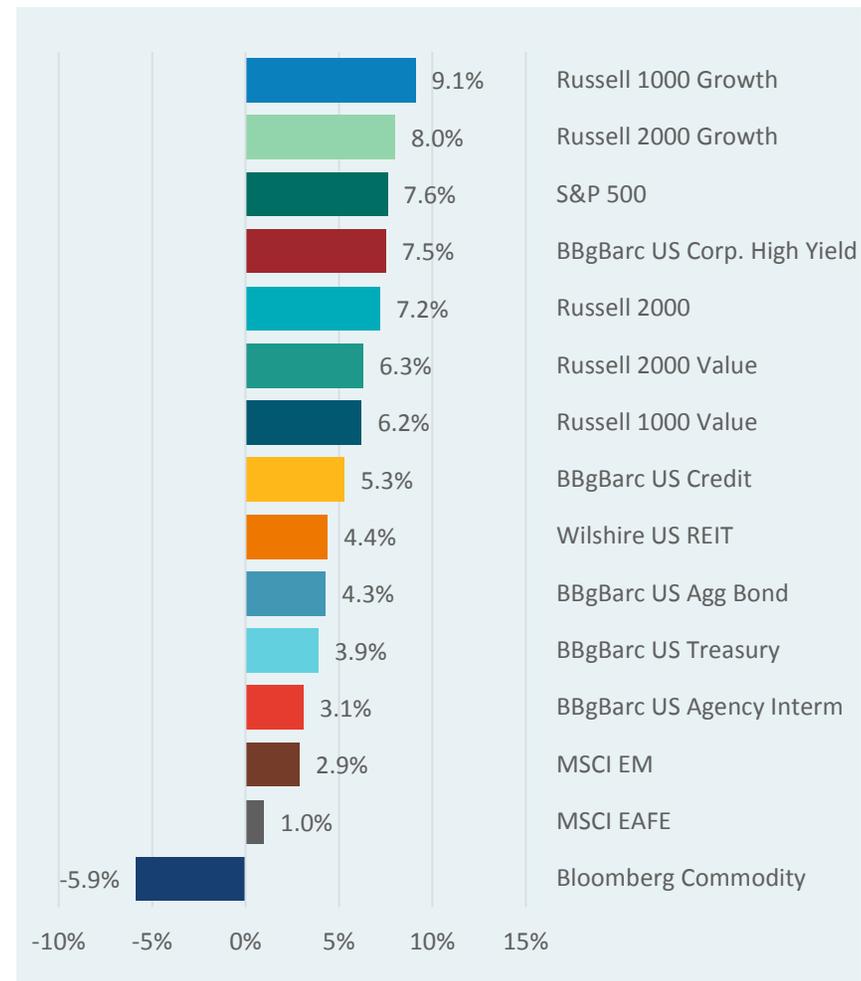
Major asset class returns

ONE YEAR ENDING FEBRUARY



Source: Morningstar, as of 2/28/17

TEN YEARS ENDING FEBRUARY

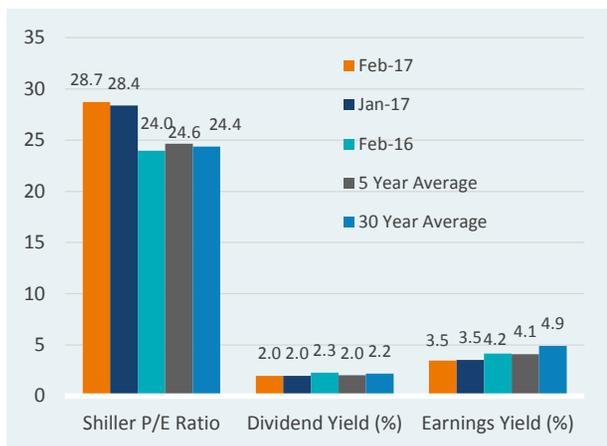


Source: Morningstar, as of 2/28/17

U.S. large cap equities

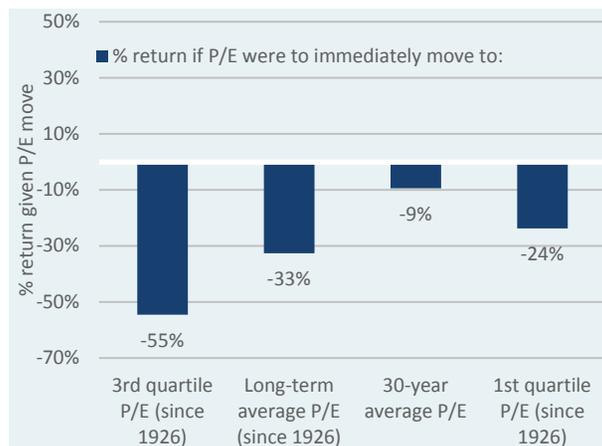
- The S&P 500 returned 4.0% in February and reached a new intraday high on February 27th of 2,372.
- Minutes from the FOMC meeting in January revealed members were monitoring the low levels of implied volatility given the uncertainty of potential changes in fiscal, regulatory, and other government policies. The VIX, a measure of 30-day implied volatility for the S&P 500, ended February at 12.92, below the 3-year average of 15.39.
- The 1-year trailing P/E ratio of the S&P 500 increased to 21.9 in February, as Q4 earnings were revised down and the index rose.
- Health Care outperformed the S&P 500 index (4.0%) in February, as the sub-index returned 6.4%. The two worst performing sectors were Energy and Telecom Services, returning -2.2% and -0.4%, respectively.

US LARGE CAP (S&P 500) VALUATION SNAPSHOT



Source: Yale/Shiller, as of 2/28/17

RETURNS IF P/E MOVED TO HISTORIC LEVEL



Source: Yale/Shiller, Verus, as of 2/28/17

S&P 500 VALUATION SNAPSHOT



Source: Bloomberg, as of 2/28/17

Fixed income

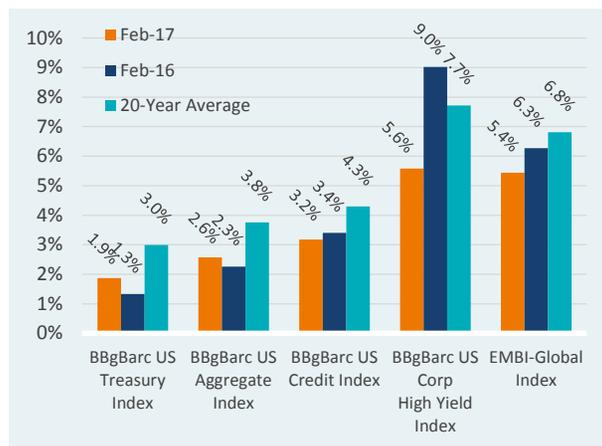
- The U.S. Treasury curve flattened slightly in February, as yields with shorter maturities between 3-months and 3-years increased, and longer maturities decreased. The 10-year minus 2-year Treasury yield spread contracted from 1.26% to 1.14%.
- The yield of the Bloomberg Barclays U.S. Aggregate ended the month at 2.6% (annualized), above 2.3% from 1-year prior, but well below the 20-year average of 3.8%.
- U.S. high yield option-adjusted spreads continued their downward trend to the lowest point since June of 2014, as they fell 26 bps and ended the month at 3.7%.
- U.S. outstanding student loan debt reached \$1.4 trillion in Q4 2016. According to the New York Fed, 11.2% of outstanding debt was delinquent by 90+ days or in default, above the average delinquency rate of 8.7% since 2003.

U.S. TREASURY YIELD CURVE



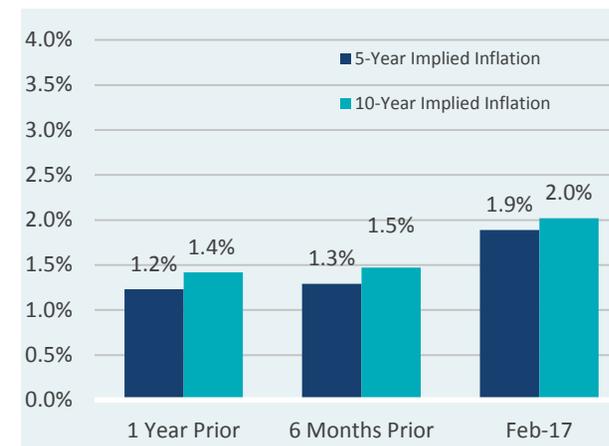
Source: Federal Reserve, as of 2/28/17

NOMINAL FIXED INCOME YIELDS



Source: Morningstar, as of 2/28/17

IMPLIED INFLATION (TIPS BREAK-EVEN)

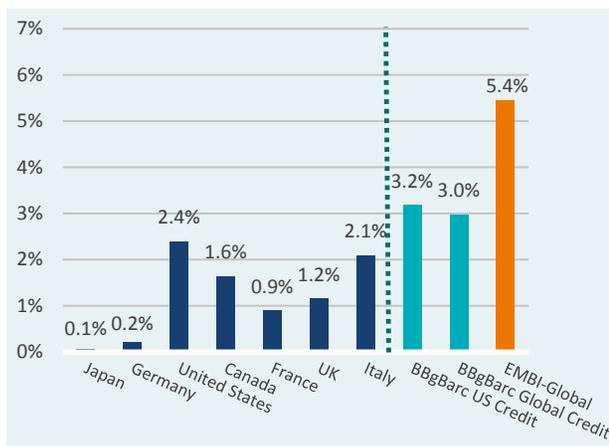


Source: Federal Reserve, as of 2/28/17

Global markets

- Global sovereign bond yields decreased in February. U.K. and German 10-year yields experienced the largest change, falling by 27 and 23 bps, respectively.
- The U.S. major currency index decreased -0.5% to 107.6 in February against a trade weighted basket of currencies. The index remained well above the long-term average of 93.8.
- Real GDP in Greece decreased at a -4.7% annualized rate in the fourth quarter of 2016 (-1.1% year-over-year), further complicating bailout discussions with the country's international creditors.

GLOBAL SOVEREIGN 10 YEAR INDEX YIELDS



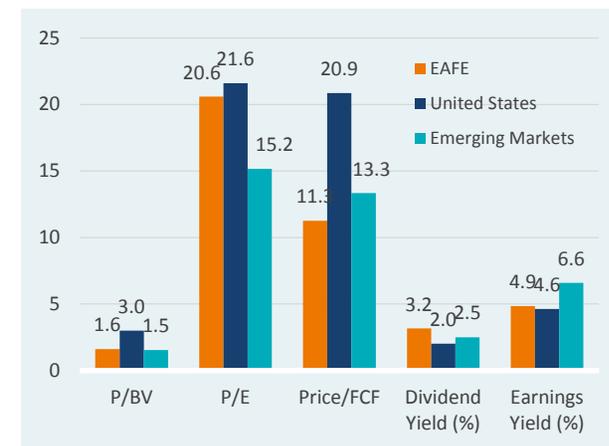
Source: Morningstar, as of 2/28/17

U.S. DOLLAR MAJOR CURRENCY INDEX



Source: Federal Reserve, as of 2/28/17

MSCI VALUATION METRICS (3 MONTH AVERAGE)



Source: Bloomberg, as of 2/28/17

Style tilts: U.S. large value vs. growth

- Growth equities narrowly outperformed value equities in February, as the Russell 1000 Growth Index and Russell 1000 Value Index returned 4.2% and 3.6%, respectively.
- The P/E ratio of both growth and value equities increased in February but the relative P/E ratio remained materially unchanged at 0.88. This metric remains slightly above its long-term average of 0.77.

- The underperformance of value equities in February was partially attributable to a higher concentration of Energy companies in the Russell 1000 Value relative to the Russell 1000 Growth. The Russell 1000 Energy sub-index returned -2.3% in February.

RELATIVE PE RATIO OF U.S. VALUE VS. GROWTH



Source: Russell, Bloomberg, as of 2/28/17

U.S. VALUE VS. GROWTH ABSOLUTE PERFORMANCE

	RUSSELL 1000 GROWTH	RUSSELL 1000 VALUE
ANNUALIZED RETURN TO DATE %		
QTD	7.7	4.3
YTD	7.7	4.3
1 YEAR	22.2	29.1
3 YEARS	10.5	9.9
5 YEARS	13.8	14.0
10 YEARS	9.1	6.2
20 YEARS	6.9	8.2
SHARPE RATIO		
3 YEARS	0.94	0.94
5 YEARS	1.26	1.29
10 YEARS	0.60	0.42
20 YEARS	0.35	0.46

Source: Morningstar, as of 2/28/17

U.S. VALUE VS. GROWTH RELATIVE PERFORMANCE



Source: Morningstar, as of 2/28/17

Style tilts: U.S. large vs. small

— U.S. large cap equities outperformed small cap equities in February, as the Russell 1000 index and Russell 2000 index returned 3.9% and 1.9%, respectively.

— Quarter-to-date, large cap equities have outperformed small cap equities by 3.6%, a short-term reversal from the trend in 2016, when small caps equities outperformed large by 9.3% over a 1-year period.

— The relative P/E ratio of small to large equities remained elevated at 2.34, well above the long-term average of 1.39, mainly due to recent increases in small cap valuations.

RELATIVE PE RATIO OF U.S. SMALL VS. LARGE



Source: Russell, Bloomberg, as of 2/28/17

U.S. LARGE VS. SMALL ABSOLUTE PERFORMANCE

	RUSSELL 1000 INDEX ANNUALIZED RETURN TO DATE %	RUSSELL 2000 INDEX ANNUALIZED RETURN TO DATE %
QTD	6.0	2.3
YTD	6.0	2.3
1 YEAR	25.5	36.1
3 YEARS	10.2	6.9
5 YEARS	13.9	12.9
10 YEARS	7.7	7.2
20 YEARS	7.8	8.4
	SHARPE RATIO	SHARPE RATIO
3 YEARS	0.96	0.49
5 YEARS	1.31	0.91
10 YEARS	0.51	0.42
20 YEARS	0.43	0.40

Source: Morningstar, as of 2/28/17

U.S. SMALL VS. LARGE RELATIVE PERFORMANCE



Source: Morningstar, as of 2/28/17

Commodities

- The Bloomberg Precious Metals sub-index outperformed the overall Bloomberg Commodity Index (0.2%) in February and returned 3.9%. Gold increased 2.3% and ended the month at \$1,252 per ounce. Silver rose 5.3% and finished the month at \$18.47 per ounce.
- The Bloomberg Industrial Metals sub-index also outperformed as it returned 2.2% in the month. Aluminum and Nickel were positive contributors as

they increased by 5.8% and 10.2%, respectively.

- WTI Crude Oil ended the month up 2.3% at \$54.01 per barrel and continued to trade within a narrow \$3 range. U.S. Crude Oil inventory rose by 34 million barrels in February to a record high of 528 million barrels. OPEC is set to review its current production cut plan at their next official meeting in June.

INDEX AND SECTOR PERFORMANCE

	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Bloomberg Commodity	0.3	0.3	16.0	(13.0)	(9.8)	(5.9)
Bloomberg Agriculture	3.0	3.0	9.1	(10.1)	(6.9)	(1.1)
Bloomberg Energy	(10.1)	(10.1)	24.3	(28.5)	(18.3)	(16.8)
Bloomberg Grains	4.0	4.0	0.0	(12.6)	(7.6)	(2.7)
Bloomberg Industrial Metals	9.9	9.9	29.3	(2.6)	(6.9)	(5.5)
Bloomberg Livestock	(0.1)	(0.1)	(7.8)	(8.5)	(5.1)	(7.8)
Bloomberg Petroleum	(4.1)	(4.1)	28.3	(27.5)	(18.1)	(9.8)
Bloomberg Precious Metals	10.5	10.5	5.9	(3.1)	(8.1)	4.9
Bloomberg Softs	1.5	1.5	24.6	(8.2)	(9.8)	(1.2)

Source: Morningstar, as of 2/28/17

COMMODITY PERFORMANCE



Source: Bloomberg, as of 2/28/17

Appendix

Periodic table of returns

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	YTD	5-Year	10-Year
Emerging Markets Equity	16.6	38.4	23.2	35.2	38.7	66.4	31.8	14.0	25.9	56.3	26.0	34.5	32.6	39.8	5.2	79.0	29.1	14.3	18.6	43.3	13.5	13.3	31.7	8.7	14.0	9.1
Large Cap Growth	8.1	37.8	23.1	32.9	27.0	43.1	22.8	8.4	10.3	48.5	22.2	21.4	26.9	16.2	1.4	37.2	26.9	7.8	18.1	38.8	13.2	5.7	21.3	7.7	13.9	8.0
Large Cap Equity	6.4	37.2	22.4	31.8	20.3	33.2	12.2	7.3	6.7	47.3	20.7	20.1	23.5	15.8	-6.5	34.5	24.5	2.6	17.9	34.5	13.0	0.9	17.3	6.0	13.8	7.7
International Equity	4.4	31.0	21.6	30.5	19.3	27.3	11.6	3.3	1.6	46.0	18.3	14.0	22.2	11.8	-21.4	32.5	19.2	1.5	17.5	33.5	11.8	0.6	12.1	4.4	13.4	7.2
Large Cap Value	3.2	28.5	21.4	22.4	16.2	26.5	7.0	2.8	1.0	39.2	16.5	7.5	18.4	11.6	-25.9	28.4	16.8	0.4	16.4	33.1	6.0	0.0	11.8	4.3	12.9	6.9
Small Cap Growth	2.6	25.7	16.5	16.2	15.6	24.3	6.0	2.5	-5.9	30.0	14.5	7.1	16.6	10.9	-28.9	27.2	16.7	0.1	16.3	32.5	5.6	-0.4	11.3	4.1	12.3	6.3
60/40 Global Portfolio	0.4	19.6	14.4	13.9	8.7	21.3	4.1	-2.4	-6.0	29.9	14.3	6.3	15.5	10.3	-33.8	23.3	16.1	-2.1	15.3	23.3	4.9	-0.8	11.2	4.0	10.9	6.2
Small Cap Equity	-1.5	18.5	11.3	12.9	4.9	20.9	-3.0	-5.6	-11.4	29.7	12.9	5.3	15.1	7.0	-35.6	20.6	15.5	-2.9	14.6	12.1	4.2	-1.4	8.0	2.3	5.2	4.3
Hedge Funds of Funds	-1.8	15.2	10.3	10.6	1.2	13.2	-7.3	-9.1	-15.5	25.2	11.4	4.7	13.3	7.0	-36.8	19.7	13.1	-4.2	11.5	11.0	3.4	-2.5	7.1	1.9	5.1	4.1
US Bonds	-2.0	11.6	9.9	9.7	-2.5	11.4	-7.8	-9.2	-15.7	23.9	9.1	4.6	10.4	5.8	-37.6	18.9	10.2	-5.5	10.5	9.0	2.8	-3.8	5.7	0.9	3.1	2.9
Small Cap Value	-2.4	11.1	6.4	5.2	-5.1	7.3	-14.0	-12.4	-20.5	11.6	6.9	4.6	9.1	4.4	-38.4	11.5	8.2	-5.7	4.8	0.1	0.0	-4.4	2.6	0.7	2.2	1.3
Commodities	-2.9	7.5	6.0	2.1	-6.5	4.8	-22.4	-19.5	-21.7	9.0	6.3	4.2	4.8	-0.2	-38.5	5.9	6.5	-11.7	4.2	-2.0	-1.8	-7.5	1.0	0.3	0.1	1.0
Cash	-3.5	5.7	5.1	-3.4	-25.3	-0.8	-22.4	-20.4	-27.9	4.1	4.3	3.2	4.3	-1.6	-43.1	0.2	5.7	-13.3	0.1	-2.3	-4.5	-14.9	0.5	0.1	-0.4	0.6
Real Estate	-7.3	-5.2	3.6	-11.6	-27.0	-1.5	-30.6	-21.2	-30.3	1.0	1.4	2.4	2.1	-9.8	-53.2	-16.9	0.1	-18.2	-1.1	-9.5	-17.0	-24.7	0.3	N/A	-9.8	-5.9

WORST

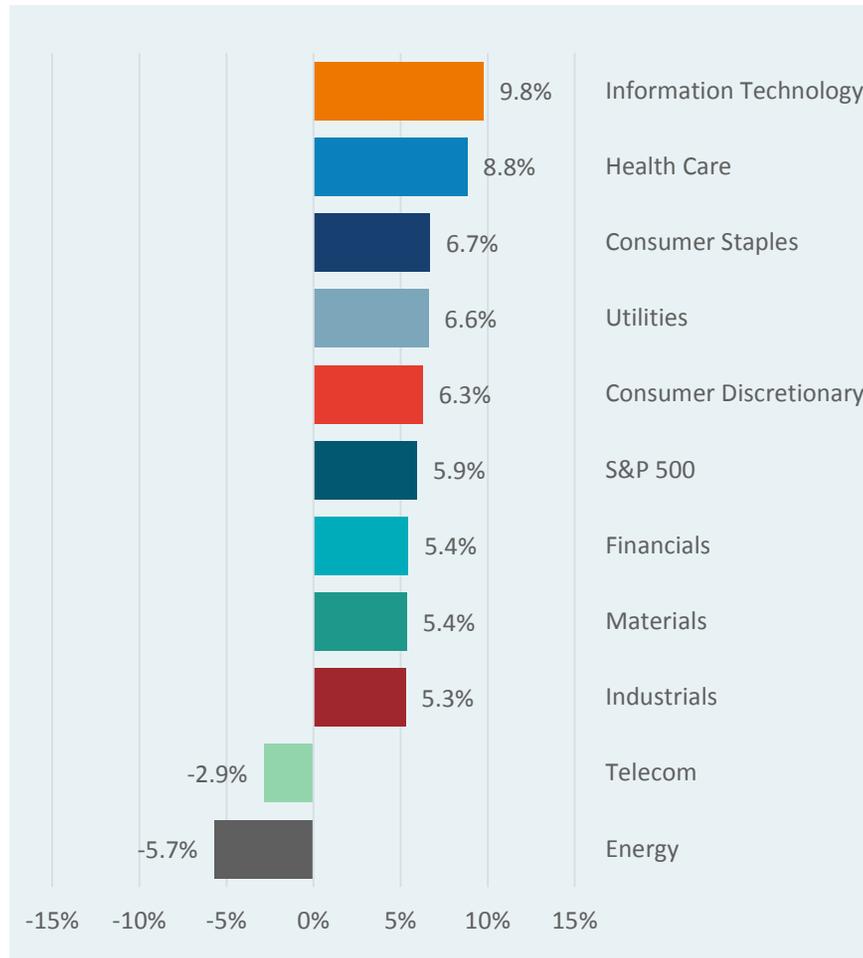
BEST

- Large Cap Equity
- Small Cap Growth
- Commodities
- Large Cap Value
- International Equity
- Real Estate
- Small Cap Equity
- Emerging Markets Equity
- Hedge Funds of Funds
- US Bonds
- 60% MSCI ACWI/40% BBgBarc Global Bond
- Cash

Source Data: Morningstar, Inc., Hedge Fund Research, Inc. (HFR), National Council of Real Estate Investment Fiduciaries (NCREIF). Indices used: Russell 1000, Russell 1000 Value, Russell 1000 Growth, Russell 2000, Russell 2000 Value, Russell 2000 Growth, MSCI EAFE, MSCI EM, BBgBarc US Aggregate, T-Bill 90 Day, Bloomberg Commodity, NCREIF Property, HFRI FOF, MSCI ACWI, BBgBarc Global Bond. NCREIF Property Index performance data as of 12/31/16.

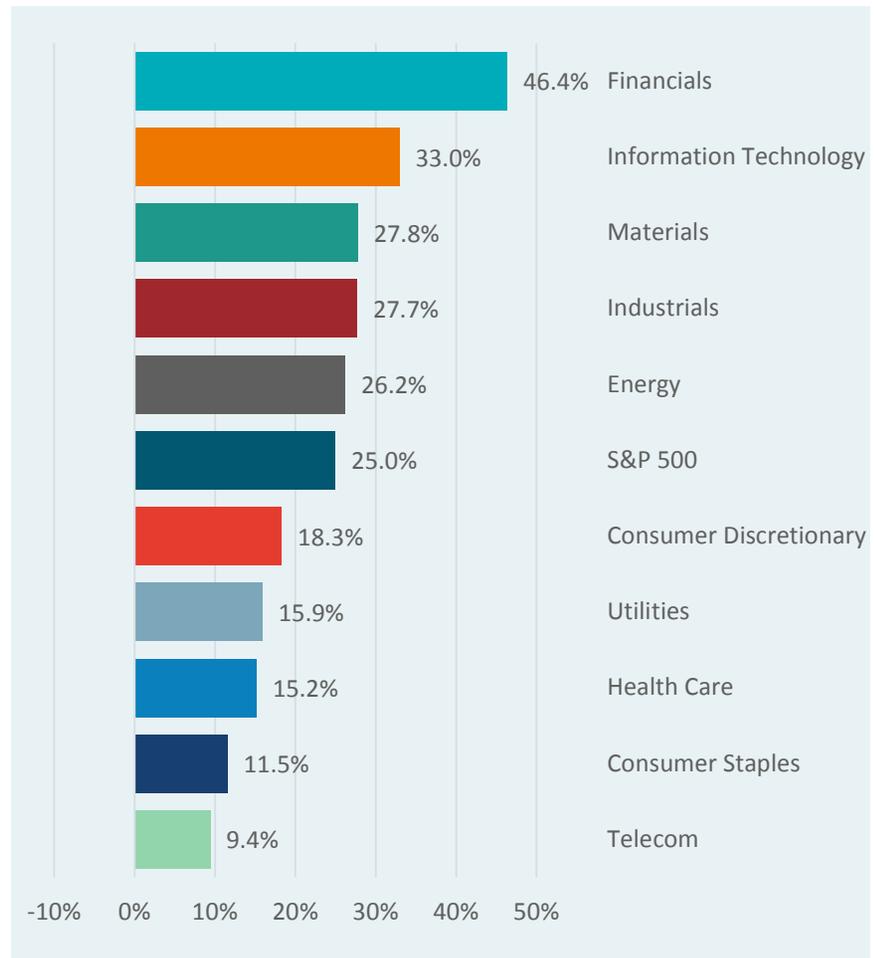
S&P 500 and S&P 500 sector returns

QTD



Source: Morningstar, as of 2/28/17

ONE YEAR ENDING FEBRUARY



Source: Morningstar, as of 2/28/17

Detailed index returns

DOMESTIC EQUITY

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Core Index							
S&P 500	4.0	5.9	5.9	25.0	10.6	14.0	7.6
S&P 500 Equal Weighted	3.2	5.4	5.4	26.7	9.8	14.6	8.8
DJ Industrial Average	5.2	5.8	5.8	29.3	11.2	12.8	8.3
Russell Top 200	4.3	6.2	6.2	25.0	11.0	14.1	7.6
Russell 1000	3.9	6.0	6.0	25.5	10.2	13.9	7.7
Russell 2000	1.9	2.3	2.3	36.1	6.9	12.9	7.2
Russell 3000	3.7	5.7	5.7	26.3	9.9	13.9	7.6
Russell Mid Cap	2.8	5.3	5.3	26.8	8.4	13.6	8.0
Style Index							
Russell 1000 Growth	4.2	7.7	7.7	22.2	10.5	13.8	9.1
Russell 1000 Value	3.6	4.3	4.3	29.1	9.9	14.0	6.2
Russell 2000 Growth	2.5	4.1	4.1	30.9	5.4	12.3	8.0
Russell 2000 Value	1.4	0.7	0.7	41.3	8.4	13.4	6.3

INTERNATIONAL EQUITY

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Broad Index							
MSCI ACWI	2.8	5.6	5.6	22.1	4.8	8.3	4.1
MSCI ACWI ex US	1.6	5.2	5.2	19.3	(0.2)	3.5	1.4
MSCI EAFE	1.4	4.4	4.4	15.8	(0.6)	5.2	1.0
MSCI EM	3.1	8.7	8.7	29.5	1.4	(0.4)	2.9
MSCI EAFE Small Cap	2.2	5.9	5.9	17.5	2.7	8.8	3.1
Style Index							
MSCI EAFE Growth	2.2	5.7	5.7	11.3	0.4	5.5	2.0
MSCI EAFE Value	0.7	3.2	3.2	20.3	(1.7)	4.7	(0.1)
Regional Index							
MSCI UK	2.0	3.3	3.3	10.8	(4.1)	2.9	0.7
MSCI Japan	1.1	4.9	4.9	20.3	5.7	7.2	0.5
MSCI Euro	0.9	2.1	2.1	14.1	(3.3)	5.0	(0.5)
MSCI EM Asia	3.6	9.7	9.7	27.3	3.9	3.0	4.6
MSCI EM Latin American	3.6	11.4	11.4	47.5	(1.4)	(6.8)	1.5

FIXED INCOME

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Broad Index							
BBgBarc US Treasury US TIPS	0.5	1.3	1.3	3.4	1.9	0.8	4.3
BBgBarc US Treasury Bills	0.0	0.1	0.1	0.4	0.2	0.2	0.8
BBgBarc US Agg Bond	0.7	0.9	0.9	1.4	2.6	2.2	4.3
Duration							
BBgBarc US Treasury 1-3 Yr	0.1	0.2	0.2	0.4	0.7	0.6	2.0
BBgBarc US Treasury Long	1.6	2.0	2.0	(4.5)	6.3	3.4	6.7
BBgBarc US Treasury	0.5	0.7	0.7	(1.2)	2.0	1.4	3.9
Issuer							
BBgBarc US MBS	0.5	0.4	0.4	0.4	2.6	2.0	4.2
BBgBarc US Corp. High Yield	1.5	2.9	2.9	21.8	4.7	6.8	7.5
BBgBarc US Agency Interm	0.2	0.5	0.5	0.3	1.3	1.1	3.1
BBgBarc US Credit	1.1	1.5	1.5	5.7	3.6	3.6	5.3

OTHER

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Index							
Bloomberg Commodity	0.2	0.3	0.3	16.0	(13.0)	(9.8)	(5.9)
Wilshire US REIT	3.6	2.9	2.9	15.8	11.6	11.5	4.4
CS Leveraged Loans	0.6	1.1	1.1	12.6	3.8	5.0	4.3
Regional Index							
JPM EMBI Global Div	2.0	3.5	3.5	12.1	6.6	5.8	7.1
JPM GBI-EM Global Div	1.8	4.1	4.1	12.4	(2.5)	(2.5)	4.2
Hedge Funds							
HFRI Composite	1.0	2.2	2.2	10.7	2.7	4.0	3.4
HFRI FOF Composite	0.9	1.9	1.9	6.5	1.4	3.1	1.3
Currency (Spot)							
Euro	(1.7)	0.7	0.7	(2.2)	(8.4)	(4.5)	(2.2)
Pound	(1.1)	0.7	0.7	(10.7)	(9.4)	(4.9)	(4.4)
Yen	0.6	4.2	4.2	0.9	(3.0)	(6.3)	0.6

Source: Morningstar, as of 2/28/17

Definitions

Conference Board Consumer Confidence Index – a barometer of the health of the U.S. economy from the perspective of the consumer. The index is based on consumers' perceptions of current business and employment conditions, as well as their expectations for six months hence regarding business conditions, employment, and income. (www.conference-board.org)

ISM Manufacturing Index – based on data compiled from purchasing and supply executives nationwide. Survey responses reflect the change, if any, in the current month compared to the previous month. For each of the indicators measured (New Orders, Backlog of Orders, New Export Orders, Imports, Production, Supplier Deliveries, Inventories, Customers' Inventories, Employment and Prices), this report shows the percentage reporting each response, the net difference between the number of responses in the positive economic direction and the negative economic direction, and the diffusion index. (www.instituteforsupplymanagement.org)

Notices & disclosures

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Date: March 27, 2017

To: Board of Trustees

From: Carl Nelson – Executive Secretary
Amy Burke – Deputy Executive Secretary

Agenda Item 12: Asset Allocation March 2017

This item on the agenda provides a properly noticed opportunity for the Board of Trustees to discuss and take action if necessary regarding asset allocation and related investment matters.

Following the preparation of rebalancing data for quarter end 1Q17, staff will discuss any quarter end rebalancing transfers with the Board of Trustees.